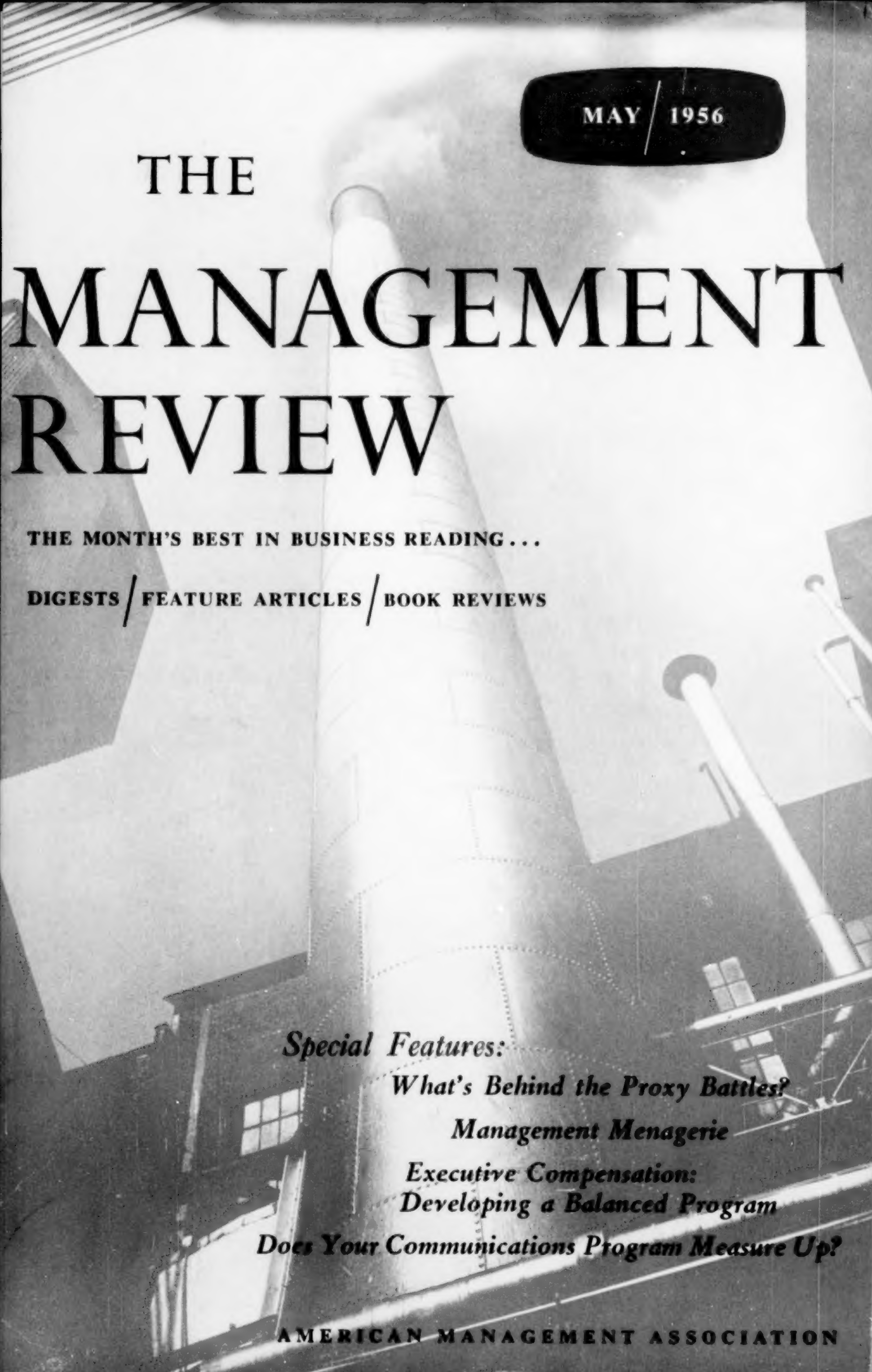

MAY / 1956

THE MANAGEMENT REVIEW

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What's Behind the Proxy Battles?

Management Menagerie

Executive Compensation: Developing a Balanced Program

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AMERICAN MANAGEMENT ASSOCIATION

THE

MANAGEMENT REVIEW

VOLUME XLV, NO. 5

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M. J. Dooher, *Editor-in-Chief*

Roland Mann, *Managing Editor*
Robert L. Clark, *Assistant Editor*
Lydia Strong, *Editorial Associate*
Juliet M. Halford, *Book Review Editor*

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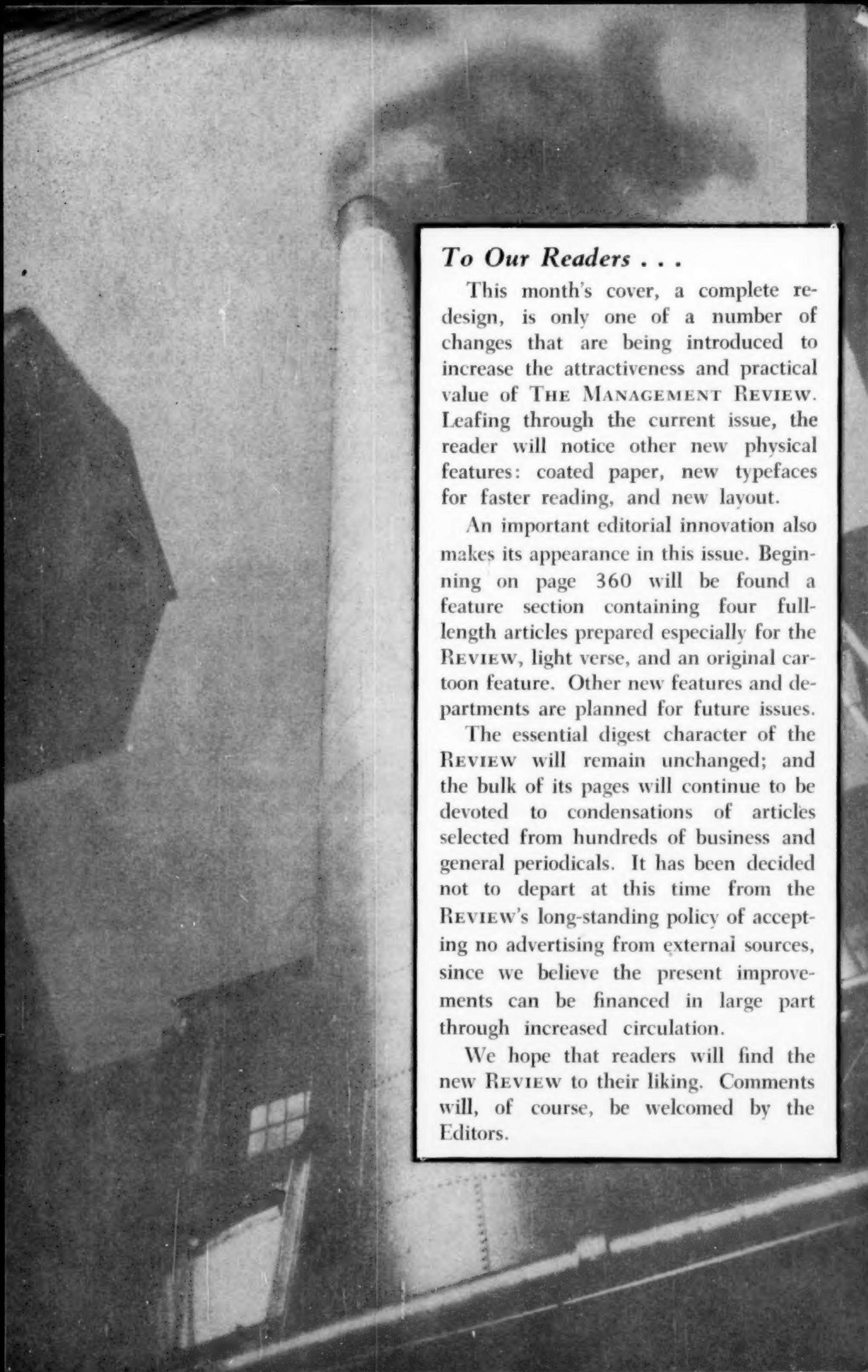

To Our Readers . . .

This month's cover, a complete redesign, is only one of a number of changes that are being introduced to increase the attractiveness and practical value of THE MANAGEMENT REVIEW. Leafing through the current issue, the reader will notice other new physical features: coated paper, new typefaces for faster reading, and new layout.

An important editorial innovation also makes its appearance in this issue. Beginning on page 360 will be found a feature section containing four full-length articles prepared especially for the REVIEW, light verse, and an original cartoon feature. Other new features and departments are planned for future issues.

The essential digest character of the REVIEW will remain unchanged; and the bulk of its pages will continue to be devoted to condensations of articles selected from hundreds of business and general periodicals. It has been decided not to depart at this time from the REVIEW's long-standing policy of accepting no advertising from external sources, since we believe the present improvements can be financed in large part through increased circulation.

We hope that readers will find the new REVIEW to their liking. Comments will, of course, be welcomed by the Editors.

Presidents Wanted!

HE GETS UP at about seven in the morning, hurriedly eats his breakfast, and rushes to work by train or auto. After spending the day—from about nine to six—at the office, he hurries home, eats his dinner, and goes into his library to spend the evening with a briefcase full of business papers. This is the stereotype of the harried commuter type of executive who has a choice of ulcers or a heart attack—and may even have both if he fully measures up to his conception of his role.

Being president of a company *is* more often than not hard work—but it can also be stimulating fun. I would like to emphasize this truth.

There are approximately 30,000 top business executives in the United States with annual incomes of $50,-000 or more. Anyone thinking of becoming one of these should not let any gloomy or self-pitying portrait dismay him. It is perfectly possible to be a company president without having either ulcers or heart trouble. Actually, an executive's job can be life's most satisfying hobby.

Surely we need many more men capable of becoming presidents in the future. And it may be that the rising executive today needs no urging.

■ *Edwin J. Schwanhausser (President, Worthington Corporation).* Dun's Review and Modern Industry, *Vol. 66, No. 6, p. 39:3.*

But every company president is aware of the number of potentially able men who are not now pushing themselves—who are not now looking for responsibilities. They are too easily satisfied with the existing order of things, depending on routine promotions and "right of ascension" for advancement. One of the most important duties of management today is to encourage and stimulate these individuals in the self-development of their latent managerial talent.

A familiar response to this kind of urging has too often been that all the topside jobs are filled. But there never was a time in history when this type of thinking was more fallacious. Managements are constantly confronted with the problem of finding good men to get the jobs done that need to be done. Rarely, if ever, does occasion arise where we have a good man and don't know what to do with him.

The selection of managers is not exclusively in the hands of the men "upstairs." In the final analysis, a great deal depends on the individual himself. Those of us, up and down the line, who are charged with finding managers can use all the help we can get—from the potential executive himself, the man who will eventually assume the position.

When he starts up the ladder, he will sooner or later begin asking him-

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self, "What would I do if this were my business?" In the higher and broader aspects of management, an executive must obviously assume the proprietary point of view. The quicker a young man develops the ability to see the business through the eyes of an owner instead of an employee, the faster his progress will be. When his eyes are fixed primarily on what he can "get" out of the company, he'll stay right where he is. Those who do only what they are paid for usually only get paid for what they do. When he achieves the proprietary viewpoint, his chances for advancement improve, and the more he achieves it, the more rapidly he is likely to advance.

Management has never been so active as it is today in training and developing potential executives. But it is well to remember that the educational process can best be augmented by the individual himself. Since I am here urging that men reach out more and more for executive responsibility, I would like to reassert the old-fashioned idea of self-motivation—and to stress it to all management candidates, whether at the level of foreman or vice president.

This matter of motivation brings us back to the main point—that not enough attention is being paid to the satisfactions of leadership, the pleasures of being a manager, the fun of being a president. If we want more people to assume responsibility, we must do a better job of encouraging leadership. It may suit a certain type of president to feel that he leads a hard life. But the truth is he has the most fascinating job in the company. Try to get him to give it up! He really loves it.

By the same token, jobs of executive responsibility up and down the line have attractions which should draw the ambitious like a magnet. If we expect men and women to make the effort necessary to move up the scale to new challenges and responsibilities, more executives must confess that they love their jobs.

Women Executives: Their Day Is Coming

"Women will really have arrived," says financial columnist Sylvia Porter, "when one, two, or 10 women show up on one of those lists of the top 10 captains of industry—and no one is surprised!" Neither Miss Porter nor anyone else thinks that day will be tomorrow, but there are signs that it is coming. Almost 20 million women are working in the U.S. today, and almost 1 million are "managers, officials, and proprietors," the closest classification to "executive" used by the Department of Labor. More important, the curve is upward: In 1900, 18 per cent of U.S. workers were women; in 1940, they totaled

■ Newsweek, *February 27, 1956, p. 76:2.*

24 per cent. Today, almost a third of the country's "manpower" wears skirts.

It is hard to spot a place on the industrial map where the high heel hasn't left its mark. Dorothy Shaver, president of New York's Lord & Taylor, is a retailing byword. In Detroit, Mrs. Lucille Kurtz, a blond grandmother, runs a $2.5-million-a-year concrete business. Genevieve Decker is vice president of Chicago's $179 million First Federal Savings & Loan Association. Last year, Marie Sayne bought $5 million worth of assorted hardware as purchasing agent for the Atlanta (Ga.) Gas Light Co. In Los Angeles, Rose Lunn, chief vibration and flutter engineer at North American Aviation—and still in her 30's—has held down that feminine-sounding but most masculine job for 15 years. Mrs. Olive Ann Beech, who has frankly admitted machinery baffles her, has been running Beech Aircraft's 6,300 workers ever since her husband, the firm's founder, died in 1950. In Chicago, two male directors and 240 workers take orders from toymaker Kay Stanley who runs Model-Craft, Inc. (1955 volume: $2.5 million).

How did these distaff "managers, officials, and proprietors" get to the top? Most would probably agree with labor-relations consultant Anna Rosenberg that "it depends on the woman." The best thing a woman can do, says Mrs. Rosenberg, is to be "natural." "The worst thing," says Beatrice Adams, vice president of St. Louis's Gardner Advertising Co., "is to try to act like a man. That's what men resent most."

Some resentment there undoubtedly is. Chicago's Patricia Stevens has in 14 years parlayed $82.50 into a million-dollar, 34-city chain of model agencies and charm schools. She recalls: "The old notion that men are helpful or soft toward women, that chivalry would rule in male and female business dealings, isn't true—or at least it wasn't true when I started. I had to overcome the traditional antagonism that bankers, landlords, and top executives had toward women in business."

Only 0.5 per cent of working women get $5,000 a year or more, whereas 12 per cent of the males are in that salary range. Among white-collar workers, a survey by the Labor Department found the average woman drew far less than the man at the next adding machine.

Where women executives have made the fewest inroads, such as in big business, the blame is not always theirs. In the auto industry, female brass is practically unheard of. Why? "Because they can't drive," cracks one auto man. But the real reason is that in big business, women find it hard to get the broad training that large corporations demand of their top men. A man may start, say, in accounting, but on the way up he will touch on sales, finance, engineering, production. A woman may move up in a single department, but in big business jumping into other areas is far tougher.

In addition, Helen C. Hurd, executive director of the 160,000-member National Federation of Business and Professional Women's Clubs, thinks women still face real philosophical and social barriers that are hard to pierce. There is, for one

thing, "the folklore that women are best at routinized jobs, or at things like handling delicate instruments." For another, says Mrs. Stephen Nicholas, executive director of the General Federation of Women's Clubs: "When a woman goes into an office and fails to adjust, the thinking is that she failed 'because she's a woman.' If her brother did the same thing, no one would say it's 'because he's a man.' "

By the nature of things, the adjustments are often harder for women to make. "Deeply set into a woman's nature," says Brownie Wise of Orlando, Fla., who runs the "home party" sales setup for Tupperware (plastic kitchenware), "is her responsibility to her family at home. The man's responsibility to his family is that he must bring home the bacon. But it is the woman who stays at home when the children become ill."

But industry's "instinctive male prejudice," which most of the women executives apparently pushed aside, seems to be fading away. Many union contracts, for instance, are written without regard to the workers' sex (and more than 3 million women carry union cards).

Still, this evolution will need help, and Lockheed Aircraft training director Karl Kunze put his finger on one place the help should start. While women have the necessary intelligence and aptitudes to succeed in his business, said Kunze, "they frequently are limited by traditional background and education. Few women have the necessary technical or specialized training. Colleges or universities might do well to minimize these traditional differences in curricula for men and women."

Brainstorming by Electronics

EVER HEAR of Abechamycin? It's not a new antibiotic, although some day it might be. Right now it's just a name without a drug, the first of 42,000 in a new dictionary compiled by an electronic "brain" for Chas. Pfizer & Co., Inc., Brooklyn, N. Y., which will use it as a source book for naming new drugs.

Rules fed into the machine on high-speed magnetic tape specified that the new words must be easy to pronounce, spell, and remember, easy to transliterate into foreign languages, and should have a "medical sound."

The machine's superhuman drug vocabulary includes not only usable trade names, but some words that can't be used for publication. It still takes a human to sort those out.

—Research & Engineering 3/56

THE OVER-65 MARKET: The Census Bureau forecasts that there will be nearly 16 million people aged 65 or over by 1965, about 21 million by 1975, and 26.5 million in the year 2000.

How to Do Business with Bureaucrats

THOUSANDS OF LAWYERS and other experts employed by private industry know their way around Washington and have mastered the fine points of getting things done. But their number doesn't include the average business man, who seldom deals with government officialdom and consequently feels unsure of himself when business takes him to Washington. Here are some tips he might keep in mind:

Know something about the officials with whom you are dealing. Do a little homework before approaching the people in government agencies. Know what their functions and authorities are; try to understand what makes them tick.

Be tolerant of government officials' caution, their fear of the consequences of mistakes. The bureaucracy of the United States probably is exposed to more public criticism than that of any other country. Citizens habitually write to their Congressmen when they have any unhappy experience in dealing with executive agencies. Sometimes the official is not even secure against criticism from the legislative branch when he is 100 per cent right. If there are complaints against him, that very fact may be enough to get him into trouble.

This need for being accurate to survive in the government is worth remembering. Because of it, a government man is not likely to lead you astray with guesses or misrepresentations. He may exasperate you by not answering your questions, but if he gives you an answer, the chances are that it is authoritative.

Make allowances for any government official who seems to be a "cold fish." He has to be impersonal on the job. He knows his chances for progressing in the government are seldom enhanced by a display of enthusiasm.

Do not expect him to warm up fast to a new idea or proposition. Experimentation increases the chances of error. The officials who survive are those who follow the regulations and precedents.

Do not try too hard to build up a friendly relationship with a government official. The well-established routines of entertaining in private business should not be used here.

Don't go to the other extreme of trying to treat the government man as your personal servant. As a taxpayer, you contribute to his salary, but that does not give you the boss's power to order him around.

Unless it involves legislation, leave your Congressman out of your government business. Most members of Congress will not go to bat for you without fully understanding the merits of your case. They know from bitter experience that if they get favorable action for you it may annoy some other constituent. A business

▪ *Frank M. Kleiler.* American Business, *February, 1956, p. 9:3.*

man saves more time and gets just as good results—sometimes better—if he does a first-rate job of dealing directly with the executive branch. In most agencies, a carefully prepared memorandum, setting forth the facts and arguments in support of what you want, is better than a Congressman's intercession. It may also be better than a conference with an official of the bureau.

Don't tell a government official that you intend to go over his head to a higher official or complain to your Senator or give him bad publicity. The government man assumes that every dissatisfied customer will exercise one or all of these privileges. He knows that, as a rule, his safety on the job depends more on being right than on appeasing all comers.

If you think you are getting a raw deal, find out about the appeals machinery and use it. But it would be a rare person indeed who appealed every adverse ruling. Appeals sometimes are costly to both the appellant and the government. Consider carefully and objectively the merits of your appeal before you file it.

After exhausting your appeal rights you still are free to take your case to Congress, to the courts, or to the press. But it doesn't pay to get a reputation for complaining every time a matter fails to turn out to your satisfaction.

If your problem at the outset is locating the right agency or branch, obtain a copy of the *United States Government Manual.* It contains a set of organizational charts and describes the agencies and subdivisions, their officials and their functions. It is an indispensable reference book for people doing business with the government.

Unless you already know your way around in a particular agency with which you have to do business, become familiar with its statement of procedure, which goes into more detail than the *U. S. Government Manual.* These statements include all delegations of final authority and other information. This material can be located in libraries by consulting the indexes to the *Federal Register.* Some of the agencies will send copies of their rules and regulations and statements of procedure upon request.

Do not assume that you are licked before you start simply because you know nobody. In some cases it may be a minor disadvantage, but do not try to overcome it by retaining a government relations man who boasts that he has the "right connections." The chief asset of a good government relations expert is his knowledge of how to do things rather than his contacts with bureaucrats. If you need help, get an expert in the field who has more pride in his experience than in his connections.

Your chief advantage in knowing the man with whom you do business is that you have a better chance of knowing what arguments are effective in dealing with him. The same can be said of a government commission or bureau as a whole. But knowing the bureaucrats personally is not as advantageous as having an intimate knowledge of the rules and practices by which the agency transacts its business.

New Problem Zones in Collective Bargaining

FEDERAL MEDIATORS are finding labor-management disputes more complex and difficult to settle, according to the Mediation and Conciliation Service's recent annual report to Congress. Specifically, the report stated that:

Bargaining problems are continually becoming more complex, requiring more extensive bargaining and adding areas of disagreement between the parties. While perhaps no more frequent intervention is required by the Service, certainly more time is generally required of the mediator in more situations.

The broadened area for possible disagreement resulting from the introduction in recent years of relatively complicated problems such as pension plans and various forms of health, welfare, and insurance programs has partially been offset by new bargaining techniques, such as joint actuarial studies and subcommittee decisions. Thus, while these relatively new issues may not now generally present the very difficult problems that they at first posed at the bargaining table, they definitely increase the scope and complexity of bargaining.

In the South, for example, a substantial number of new plants followed the patterns or practices as to wages, hours, and working conditions that had been established within the same company, in other locations, by collective bargaining. Thus, in many instances, the wage rates paid by the new plants were above those prevailing locally, creating difficult local wage-adjustment problems.

—The New York Times 3/30/56

On Maturity

MATURITY IS A quality of personality made up of a number of elements. It is stick-to-itiveness, the ability to stick to a job, to work on it, and to struggle through it until it is finished, or until one has given all one has in the endeavor. It is the quality or capacity of giving more than is asked or required in a given situation. It is this characteristic that enables others to count on one; thus it is reliability.

Persistence is an aspect of maturity; persistence to carry out a goal in the face of difficulties. Endurance enters into the concept of maturity; the endurance of difficulties, unpleasantness, discomfort, frustration, hardship. The ability to size things up, make one's own decisions, is a characteristic of maturity.

Maturity includes a determination, a will to succeed and achieve, a will to life. Of course, maturity represents the capacity to cooperate; to work with others, to work in an organization and under authority. The mature person is flexible, can defer to time, persons, circumstances. He can show tolerance, he can be patient and, above all, he has the qualities of adaptability and compromise.

—Edward A. Strecker, quoted in What's New
(Abbott Laboratories, Inc.) No. 193

The American Worker—1975 Model

WHAT will emerge as the portrait of the American worker by 1975? What kind of work will he be doing? What will be his relationship to management and to unions? What will be his place in American society? We can guess at some answers by projecting certain socio-economic trends of the past two decades.

The labor force will expand. Barring nuclear war, severe depression, or political upheaval, the total number of people working will probably grow from the 65 million it reached in 1955 to approximately 90 million in 1975, while our population will approach 230 million persons. As a percentage of total population, however, the labor force will decline in the next two decades. This will reflect the low birth rate of the thirties, the increasing proportion of persons living longer, later entries into and earlier exits from the labor force.

More people will work in "tertiary" industries. Recently, the occupational shift has been away from secondary industries, which convert raw materials into finished products, and into tertiary industries such as repair services, trade, administrative jobs, entertainment, and other leisure-time services.

There will be more white-collar and technically skilled workers. The boom in white-collar, semi-professional, and professional occupations is likely to continue. The proportion of unskilled workers—only 6 per cent of the labor force in 1955—will be still smaller by 1975, while the number of skilled workers—mechanics and repairmen, construction machinery operators, maintenance men for automatic equipment—which has been increasing rapidly since 1940, will probably be even more significant by 1975. Indeed, with the development of complex automatic machinery for production, inspection, and communication, we may, by 1975, need a new name to describe the skilled worker who knows how to control dials, tapes, signals, speed and timing devices.

Workers will have more education. By 1975, many educators predict that more than 50 per cent of our high-school graduates will be attending college.

Many women will be workers and wives. More than two-fifths of the 1955 labor force was composed of women; by 1975 women may constitute nearly half of all workers.

Employees will work in large organizations. In 1950, more than one-third of the workers covered by Social Security were employed by firms employing 1,000 or more people. By 1975, such large business organizations may embrace a majority of all wage earners.

Workers will have more economic security and higher living standards. If the assumption of relative business stability holds, we may anticipate that

■ *Henry J. Meyer.*
Challenge, *March, 1956,*
p. 15:5.

economic security will be almost universal. Most economists anticipate further increases in the level of real wages, together with greater equalization of incomes. The certainty of an income and of protection against the consequences of illness, temporary unemployment, and old age will probably characterize the lives of most workers.

There will be more union members, and unions will become more important in the economy. Today, approximately one-third of all non-agricultural workers are members of labor unions. By 1975, there will certainly be more union members, and workers will look increasingly to union leadership to cushion the adjustments which automation, atomic energy, and shifts in occupational demand will require. It is likely that union leadership itself will devote less attention to measures for worker security and more to transitional retraining, to income distribution, and through education and broader community services, to bettering the total life of the worker and his family.

The scheduled work week will be shorter, and longer vacations will be common. With increasing economic security, workers will be less eager to work overtime for premium pay. More and more people will have a chance to develop new outside interests.

Within the framework established by these trends, we may sense some of the new demands which will be placed on the worker of 1975. He will have to start from a higher educational level and continue to advance in order to keep up with the technical requirements of his job. With the progress of automation, he will have to understand his place in the work organization in more comprehensive terms. Thus, he will tend, more and more, to evaluate his own welfare in terms of the company and, indeed, the entire economy. In all likelihood, he will express his responsibility more and more through his union, because the decisions which affect him most will be made on a higher and more inclusive level. Similarly, he will have to give greater consideration to government policies which affect his industry. Thus, his perspective will have to broaden.

Though automation may increasingly limit the range of his own manual work, it may multiply the responsibility which the worker must bear for the productive process itself. By the same token, since a white-collar, technical, or service worker will be making more of his own decisions, his execution of the job will be more crucial. He will have to learn to work with more general instructions and to visualize his work more inclusively than he does today, when he is primarily required to follow instructions.

The problems of job transition will still concern the workers of 1975. Some will be facing displacement because of new machines and the demand for new technical skills for which they are not trained. The necessary transitions may be facilitated by in-service training programs which industry will develop, as well as by an enlarged adult education program.

The American worker has never been class-conscious. In 1975 he will

be more certain than ever that he belongs to a broadly inclusive "middle class." As he achieves higher earnings, more schooling, suburban residence, and greater leisure, he will come to expect full participation in the economic, social, and political life of the nation.

Avoiding the Annual Vacation Headache

WITH THE VACATION SEASON only a few weeks off, it's already time for planning the schedule. And you can't assume that the plans, schedules, or experience of last year will automatically apply.

Many companies expect disruptions to be more acute in '56 because: They've liberalized practices, extending maximum vacations and lowering service requirements; their workforce consists of a steadily increasing number of employees entitled to longer vacations; their customers have new buying cycles so that production schedules must be adjusted.

Before supervisors are asked to approve vacation requests, they should be given an up-to-date picture of the expected flow of orders, production requirements, or other work commitments. Salesforce contacts with key accounts have alerted many firms to demands coming up during the summer for which they have had to make special provision. In some cases, they have been able to anticipate orders and get them out of the way before vacation drains on manpower are heaviest.

The personnel or payroll department should furnish each supervisor with a listing of the vacation time and vacation pay due each employee for whom he's responsible. This information will help him spot the operating difficulties which may arise in connection with the expected flow of work, so that he'll be in a position to suggest to employees when they can take off with least disruption.

Tight labor conditions and clerical shortages may have dried up sources a company depended upon in the past for summer part-timers or temporaries. Management should check ahead as far as possible to establish the availability of extra help.

Where temporary replacements are needed, supervisors should be urged to make careful selections and, if feasible, to place on the job the man most likely to succeed to that job eventually. Many companies have profitably used the vacation period to test out an individual worker's ability to handle new skills or equipment and to carry out more responsible job assignments.

Both during and long after the vacation season, hard-to-settle claims for extra vacations or special treatment may arise. Supervisors should be alerted to anticipate and resolve many of these issues before they become serious disputes. Most per-

▪ Labor Report, *March 1, 1956, Research Institute of America, Inc. (589 Fifth Avenue, New York,* N.Y.).

plexing are such questions as these:

1. When does a new, part-time, or temporary employee qualify for vacation? Usually there's some minimum work requirement with which supervisors should be familiar. Sometimes vacation time is prorated for recently hired employees who don't have enough service to qualify for a full week or longer.

2. How is vacation pay computed? There's been a growing practice of varying the amount of pay without extending the length of vacations. This policy permits longer-service employees to get somewhat more without further reduction in scheduled summer man-hours. The method of figuring pay also should be spelled out where it is computed as a percentage of earnings for the year or in a specified period, as is typical for workers or incentive. Supervisors should know whether bonuses, overtime premiums, etc., go into vacation pay base.

3. Is partial vacation pay due those who quit, are discharged for cause, etc.? Supervisors should be clear on the work requirements or other conditions for eligibility. There's been a tendency by courts and arbitrators to take the view that vacation time accrues over the period of employment so that employees who leave may collect back pay, unless restrictions are specifically spelled out.

4. What effect does time off due to illness have on vacation rights? Leave of absence policy varies considerably among firms, but generally sick employees retain continuous service for long periods. Vacation eligibility will, therefore, depend on how specific restrictions operate.

5. Does time on strike affect eligibility? A striking employee is usually considered "on the payroll" or "employed" at least up to the time he is discharged or quits. This means that, where vacation eligibility depends on employment on a qualifying date, employees will ordinarily be considered to have met that condition even though they were not actually at work.

6. What exceptions will be made in the case of a plant-wide shutdown? Scheduled repair, maintenance, and other special work which can be done more efficiently when the plant is not in operation will keep a number of people around. They and others who must remain to handle special orders should be informed in advance. Others on sick leave or other types of leave at the time of shutdown may request special treatment, and some policy should be set in advance for handling these claims.

A STRIKING RECORD: American workers strike more often and lose more man-days of work than those of any other country. Of the 28 leading industrial nations in the free world, the United States, with only one-fourth of the number of workers, loses at least half of the number of man-days of work lost through strikes. In the last eight years, it has stood first five times in the number of man-days lost per thousand workers, and second three times.

—*Sidney Lens in* Harvard Business Review, *March-April, 1956*

Progress Report on Automation

THOUGH its history is brief, automation already has its own folklore. One of its most widely told legends concerns CIO President Walter P. Reuther and a Ford executive who were touring Ford's automated engine plant in Cleveland. As they strode past huge self-operating tools that bored cylinder holes, positioned connecting rods, and bolted down manifolds, the Ford executive wisecracked: "You know, not one of these machines pays dues to the UAW." Retorted Reuther: "And not one of them buys new Ford cars, either."

The growth of automation is impressive. Of the $720 million spent by the oil-processing industry in 1955 for capital improvements 15 per cent went for automation. Manufacturers of automatic controls recently estimated that they have installed automated equipment in 100,000 U.S. manufacturing plants during the last few years, "yet hardly scratched the surface." After the broadest survey yet on automation's markets, the American Society of Tool Engineers reported that automation will account for 18 per cent of metalworkers' equipment orders this year. In the aircraft industry one-fifth of all money spent for equipment this year will go for pushbutton machines; one-third of the automakers' 1956-57 equipment orders will be invested in automation. Among the items on U.S. industry's automation shopping list: 25,000 welding machines, 55,000 grinders and finishers, 200,000 machine tools.

■ Time, *March 19, 1956, p. 98:9.*

Automation has been force-fed by the boom. With wages constantly going up and skilled labor hard to find, many a business man has turned to bigger and better machines to keep costs down and production up. Moreover, automation is most profitable in a time of full production: so much money is invested in the automated tool that a plant manager must keep it at work.

The nation's most automated industries are chemicals and oils. If it were not for automation, the U.S. motorist would pay a much higher price for gasoline than he does. While the oil industry's average wage jumped from $1.87 hourly in 1949 to $2.47 hourly last year, automation boosted production so fast that the labor cost per barrel of finished product dropped from 28.3 cents to 23.7 cents. Refinery workers also benefited.

For some industries it is not cost but quality of production that brings in automation. For example, the airfoils of supersonic aircraft and guided missiles demand such close tolerances that the human hand is often incapable of milling and finishing to exact specifications. To end one time-wasting source of human error, North American Aviation installed an automated "skin mill" to mill 1½-inch aluminum slabs into F-100 wing panels with one one-thousandth-inch tolerances. It found that the robot

millers could make a pair of perfect wings in 2½ hours, vs. 20 hours for a skilled machinist with a possibility of error.

With the marvels of the automated factory has come the automated office, manned by electronic brains that set up orders, encode instructions to lesser machines, post accounts, send out bills, write letters, and clank out profit and loss statements. One of the newest of the great brains is the $5.5 million RCA-built Bizmac, now being installed in Detroit by the Army Ordnance Tank-Automotive Command to keep track of tank and auto parts all over the world. Operators who sit at Bizmac's console can store away on magnetic tape records of 155,000 types of spare parts, lists of vehicles that use them, detailed inventories in major depots from Japan to West Germany. If, for example, the Army needs to check world supplies of tank crankshafts, Bizmac will compile records no more than 48 hours old, bring forth the reply in three minutes, and feed it out at a speed of 600 printed lines a minute. To print up a new catalogue of spare parts, Bizmac's operator needs only to press the proper buttons and Bizmac's 25 electric tapewriters will clack out pages ready for offset photography. Able as it is, Bizmac is only the prototype of even better computers that will be capable of running entire factories. Tomorrow's great brain will start up machinery, feed in raw materials, switch from one product to the next as orders come in, convey parts to assembly lines, put them together, inspect, box, band, and load finished products into freight cars and trucks.

Many an industrialist pooh-poohs reports that automation will eliminate jobs. But unless automation eliminates jobs, it is neither profitable nor practical. However, for every skill eliminated, others will be created and upgraded.

Oil men are already complaining about the shortage of control panel operators for automated refineries; these technicians must be part engineer, physicist, chemist, and mechanic. General Electric is training 28,000 employees for automation's better jobs, expects the company's average pay to rise 50 per cent to $8,000 in 10 years. Though automation will displace some workers, in the long run the U.S. economic problem will not be unemployment but how to stretch the U.S. labor force enough to keep up with a population growth of 3 per cent yearly and a standard of living that grows much faster. With every new production climb will come new demands for shorter hours, more leisure time. Once automation hits its full stride, the 30-hour week and the three-day week end will not be far behind.

Labor-Management Cooperation in Community Giving

COMMUNITY CHEST DONATIONS can be combined with improved labor-management relations and a strong public relations boost, the Chicago Screw Co. has found.

Under a plan conceived by the union, workers in the plant volunteered to work a half-day overtime and to donate their wages to the Community Chest. The company combined the extra workday with an open house, to which employees' families, local business men, and civic leaders were invited.

Since 1952 the company has staged the event every year, although the open-house feature has not always been combined with the extra workday. The company's president and the president of the local union make joint appearances before workers to enlist support for the event, and a joint labor-management steering committee plans special bulletins, posters, and payroll inserts. A "kick-off banquet" two weeks in advance climaxes the build-up.

Results have been more than satisfactory. Last year more than 80 per cent of the company's employees participated, and the total contribution was substantial.

—Industrial Marketing 2/56

Employing the Worker with Heart Disease

CARDIAC victims can in many cases remain productive, efficient members of the workforce, according to a recent study prepared by Dr. S. Charles Franco, associated medical director of Consolidated Edison Co., New York. The study comprised 896 cases of heart disease among approximately 25,000 employees—those whose condition was severe enough to cause absence in 1952 or whose work assignments were restricted because of heart disease.

The greatest incidence of cases had occurred in workers in their 40's and 50's, and the greatest preponderance was among workers with over 25 years of service—the average age being 55 and average length of service 31 years.

One of the interesting findings was that nearly 46 per cent of these workers did not suffer any sick absence in 1952 and among the others the frequency rate was 25 per cent lower than the company average for all workers. The disability and severity rate of absence among the group, however, was above the company average.

About 70 per cent of these employees required physically restricted jobs because of their heart disease; most were filling non-physical assignments such as clerks, draftsmen, inspectors, etc. In all, there were 400 job classifications in which cardiacs were doing a productive job.

—Management Methods 10/55

How Unions Call a Strike

THE NOTION THAT trade union members are the helpless captives of their organizations is rather widely held. In fact, there is a growing feeling that rank-and-file union members need government protection from their leaders. Bound up with this general attitude is the belief that workers are frequently called out on strike against their will and that, if all strikes had to be supported by a majority of the workers, there would be fewer strikes than there are.

Since 1939, a number of states have enacted legislation making strikes illegal unless approved by a majority of the affected employees in a secret referendum. The Labor-Management Relations Act of 1947 provides for government-conducted strike votes in national emergency disputes that remain unsettled after an injunction against a work stoppage has been in effect for 60 days; and the Federal Mediation and Conciliation Service is directed to suggest a supervised strike vote as a means of settling any dispute in which mediation is unsuccessful. Following this trend, there have been recurrent proposals in Congress for legislation requiring all strikes in interstate industry to be ratified by a majority of the employees concerned.

To appraise this issue, the Industrial Relations Section of Princeton University recently undertook a study one of whose aims was to shed light on the processes whereby strikes are actually authorized by American unions. The conclusions of the study with respect to union strike procedure were based upon two separate investigations: (1) a questionnaire survey of a diversified group of about 60 local unions in two New Jersey cities, supplemented by interviews with some of their officers; and (2) an analysis of the strike votes conducted during a two-year period by some 75 locals of the United Rubber Workers union. While each of these studies had its limitations, their findings tend to reinforce each other, thus increasing the confidence with which they may be accepted.

To the extent that the unions included in the samples are representative, the following generalizations appear to be warranted:

1. Most local unions require that strikes be authorized by a majority vote of the membership in a secret ballot election.

2. Secret strike votes in American unions are more prevalent than an analysis of the provisions of the constitutions of international unions would indicate, because local union constitutions frequently require such procedures where the international constitution does not. Further, such procedures are sometimes firmly rooted in practice despite the absence of constitutional requirements.

3. The minority of unions which

▪ *Herbert S. Parnes.* Union Strike Votes, *Industrial Relations Section, Princeton University, Princeton, N. J.*

do not regularly use secret ballots almost invariably conduct some kind of vote on the strike question. It is commonly recognized by union leaders that a non-secret vote generally produces larger majorities in favor of strike action than would be shown by a secret ballot, and this appears to be the chief reason why some unions use a voice vote or a show of hands.

4. Both union leaders and rank and file appear to recognize that the strike vote is both a method of ascertaining the will of the membership and a means of exerting bargaining pressure on the employer. Logically, it is impossible to separate these two functions of the strike vote, irrespective of its timing.

5. The frequency of strike votes varies considerably among different unions. In some, a strike vote may be held during every contract negotiation. In others, strike votes are as rare as strikes themselves. For all unions combined, the number of strikes that occur is only a small fraction of the total number of elections in which strikes are authorized, principally because the strike vote itself is frequently sufficient to elicit a satisfactory offer from the employer. But a less obvious reason is that the union leadership may realize that despite a favorable strike vote, the attitudes of the rank and file are such as to make a strike a risky undertaking.

6. In most cases strike votes are taken when the union representatives feel that negotiations have become deadlocked. A substantial majority of the strikes reported by local unions in two New Jersey cities began less than 10 days following a strike vote.

7. In an overwhelming proportion of cases, union-conducted strike votes result in authorization of a strike by a majority of those voting mainly because the rank and file realize that to vote against strike authorization is virtually to reject the demands that the union is making in their behalf. But another reason is that union leaders clearly have no reason to suggest a strike vote unless they are fairly confident of a "favorable" result.

8. The percentage of union members who attend strike vote meetings is normally considerably higher than the percentage attending regular membership meetings. Of those voting, extremely high percentages frequently vote to authorize strike action. As a consequence, it is common for strikes to be authorized by a majority of the workers eligible to vote, as well as by a majority of the actual voters.

9. Though, in the typical strike vote, the rank and file appear to place considerable discretion in the hands of the union leadership, in reality the discretion of the leaders is not so unlimited as it seems. For one thing, it is not uncommon for the question to be resubmitted to the membership on the basis of the employer's "last offer." But the real limit on the discretion of the leadership in calling a strike is their assessment of the degree of support a strike would get from the rank and file.

10. The attitude of leaders of local unions toward the strike problem is at many points diametrically opposed to the view which underlies proposals for strike vote legislation. Many state that it is more difficult to restrain the rank and file from press-

ing "unreasonable" demands than to "whip up enthusiasm" for a strike. They invariably assert that they would not, even if they could, initiate strikes which a majority of the membership opposed. In part, this attitude results from what appears to be a genuine dedication to democratic principles. But perhaps to an even greater degree it stems from the realization that to strike without membership support would be to risk losing the strike, as well as being turned out of office in a subsequent election.

11. It cannot be inferred from the foregoing conclusions that questionable strike practices are nonexistent in the American trade union movement. It is common knowledge that strikes sometimes are called without a membership vote, and it is not unlikely that some of these would have been defeated had a ballot been taken. There have also been cases of "rigged" elections, of strike votes taken at times or places that made it unlikely that many members would participate, and of deliberate attempts by the leaders to misinform the membership on the issues. But the evidence indicates clearly that these are the exceptions, rather than the rule.

Combating the Shortage of Skilled Labor

"PIRATING among companies—the old law of supply and demand—is creating most of the skilled labor problems." So charges a disgruntled personnel director, explaining: "We're not losing skilled men because of a wage differential; it's because we're not working overtime at the moment. Busy small companies come along with six- and seven-day work week offers, and the men grab them."

In Michigan, the Society of Skilled Trades is attempting to form a skilled workers' union by luring members from the United Auto Workers. Its charge is that the UAW hasn't taken care of the skilled worker. The wage gap between non-skilled and skilled labor continues to narrow and the recent Supplemental Unemployment Benefit contracts now take another 5 cents out of the skilled pay envelope in a number of companies.

■ Steel. *April 2, 1956, p. 53:2.*

Skilled workers are getting restless; many firms report above-average turnover that's increasing monthly—particularly in the higher skills, such as toolmakers and die sinkers. But are narrowing pay differentials the primary cause? Most industrial relations experts say no. And wage rate comparisons—particularly in the auto industry—bear them out. The differential between a sweeper and toolmaker in 1940 was 36 per cent; today, it's 34 per cent. But the differ-

ential between an assembler and a toolmaker has increased from 24 to 26 per cent in the same period.

The real crux of the problem, most feel, is the shortage of skilled labor. And these factors are compounding the problem: lack of apprentices, technological developments, industrial expansion.

Who's pinched the tightest for skilled labor? With few exceptions, the loudest complaints come from companies with no apprentice programs. But even firms with the best programs have trouble keeping pace because of plant expansions and loss of men through turnover.

Thompson Products Inc., Cleveland, Ohio, for example, is stepping up both its learner and apprentice programs. Says Theodore Haas, Thompson's director of training: "Both management and labor are inclined to view the skilled labor problem apathetically. We should be training a minimum of one apprentice for every 10 journeymen." One of the auto companies feels its skilled labor requirements for the future necessitates one apprentice for every five journeymen.

To the claim by many companies that apprentice programs cost too much, proponents counter: Figure your hiring costs, lost production, or overtime paid to others to get the work out, and you'll find it's a pretty good investment.

Technological developments are important in the skilled labor problem. Not only will the ratio of skilled workers in the workforce be increased, but the skill requirements will change. Automation in the auto industry already is stepping up the skilled worker ratio. One automaker reports that its skilled labor ratio has increased from 6 to 10 per cent of the total hourly workforce. Another predicts that 15 or 20 per cent of the industry's workforce will be skilled in the future.

The greater complexity of equipment also calls for greater skills in repairing and maintaining it. Paul Minsell, director of industrial relations at Eaton Manufacturing Co., believes that the next 15 years will necessitate more well-rounded skills to meet these technological changes. Chrysler Corp., for example, is currently conducting educational programs in industrial electronics, electricity, and hydraulics to bring its journeymen up to date with the increasing complexity of its machinery.

Improvement in the skilled labor situation is not to be expected on any short-term basis. The real answer is getting more men into the skilled labor force—primarily through your own apprenticeship programs.

AFTER A STRIKE is over, it's important to let suppliers know, and not with just a bland announcement, the Canada Wire and Cable Co., Montreal, believes. It sent a three-page reprint of the settlement terms, as reported in the local press, to its suppliers. The story gave the reasons management had held out so long before settling. The union's demands had been quite large and the company wanted its suppliers to feel that its stand was justified.

—Employee Relations Bulletin (National Foremen's Institute, Inc.) 2/6/56

How Automation Will Affect Industrial Health

AUTOMATION will prove a great boon to industrial safety, according to Dr. C. Richard Walmer, managing director, Industrial Hygiene Foundation. He predicts a considerable decrease in traumatic injuries, especially to the fingers and hands, which will no longer be exposed to moving parts of machines. Industrial hernias, crushed feet, and back injuries will disappear with elimination of the need for manual handling of heavy stock. For example, at Ford Motor Co., in operations where automatic equipment has been installed there has been an 85.5 per cent reduction in the number of hernias. Exposures to industrial dusts and other contaminants are already largely eliminated or controlled by automatic engineering measures.

However, "new and intangible problems" may seriously affect the health of workers, both on and off the job. Already an estimated 20 per cent of employees are borderline emotional cases, unable to bear efficiently the stresses of industrial work. There is considerable evidence that automation may bring an increase in psychosomatic disorders.

Industry will need to be increasingly concerned with the effects of mental and emotional stress on its workers, Dr. Walmer believes. For example, the highest incidence of gastric ulcers in the hourly wage group is found among machinists, who probably exert less physical effort than most mill workers.

—Industrial Relations News *(230 West 41 Street, New York 36, N.Y.) 3/17/56*

Stop Me If You've Already Been Promoted

ASIDE FROM golf, nothing is more important for rapid advancement in the business world than the ability to tell a joke well. I know a vice president of a respected investment firm who wonders why he isn't president. It's very simple. The poor sap tells a joke backward.

He says, "Did I tell you the joke about the two rich Texans who were buying a high-price car, and one of them said, 'No, no, let me pay for it; you paid for the lunch?' . . . No? . . . Well, it seems these two Texans were having lunch—"

And he tells you the whole joke. Naturally, nobody would make him president of anything.

Some people are overly afraid that the listener has already heard the joke. I am reminded of a banker of my acquaintance. A man named Pierpont. He wanted to merge his bank, which didn't have much money in it, with a New York City bank with money sticking out all over it.

Everything was all set. In another 15 minutes the important papers would have been signed. But Pierpont asked the great financier if he had heard the story about the convict.

"No," said the G. F.

"Where the convict trains this ant to stand on its hind legs?"

"Never heard it."

"The joke isn't new," said Pierpont, "so I thought probably you had heard it."

"I don't think so."

"Well, it seems this convict went to prison for 30 years—You haven't heard it?"

"No, no."

"So the convict wonders how he is going to keep from being bored—You're sure you haven't heard it?"

"No," said the financier, "I haven't heard it. And I don't care if I never hear it. Good day!"

Those papers never were signed. Pierpont made some attempt to carry on, but his life was over. His resignation was requested by the country club and a week later they called in his school tie. All because he couldn't tell a joke properly.

On the other hand, a well-told joke can be a definite business asset. For example, I told a joke to a business acquaintance the other day and as a result he is going to order two carloads of flypaper. He was supposed to call me today, but I see it's after six. No doubt he will call me tomorrow.

—*John Swartwout in* The Saturday Evening Post 3/10/56.

"Please cast aside those foolish worries about a machine taking your place"

—Collier's 10/14/55

Building to Fit Your Handling Job

ARE YOU spending 20 to 80 cents of your manufacturing dollar for materials handling? Probably.

Wouldn't better methods cut your handling costs? Certainly. But two to one you're stymied in one way or another by your building.

These odds derive from a *Factory* survey of plants in the Bridgeport (Conn.) area, on the question: "What are your handicaps in improving materials handling in your plant?"

The answers showed that two-thirds of all handicaps were building factors.

Maybe you can't plan and build the perfect plant today. Granted that handicaps may show up, as new methods are developed. But you can cut the odds against you down to size.

The first step is to look at the building as housing for the entire manufacturing process. The next is to plan functionally for efficient, low-cost handling, now and as far ahead as you can see.

Here are 10 check-points suggested by the Materials Handling Institute:

1. *Check building size and shape.* A growing practice is to design the layout of operations, then plan a building around it. Planning will point out the comparative merits of multi- and single-story buildings, rectangular and square shapes, low and high ceilings. But type, size, and shape affects building cost. It's a good idea to get construction advice while planning.

2. *Check building columns.* The dream plant would have no columns. Since that would run costs sky-high, the next best thing is greater distances between columns.

Columns should not interrupt machine areas, should not obstruct flow of material through the aisles, and should not interfere with maximum use of storage space.

Crane load must be figured too. Maximum column loads will depend upon whether or not the column is to support the roof and snow loads in addition to the crane load.

3. *Check floor-load capacities.* The trend is toward higher floor-loads capacities. Machinery is getting bigger, and higher productivity makes for heavier and faster material movement.

Floor surfaces, too, are important; the right floor means smoother materials movement, longer life, and lower maintenance.

These questions should be answered:

What methods and equipment will you use?

How much storage load will you put on the floors?

What will be the volume and frequency of materials movement?

How many trucks will be used? What will be the maximum loaded weight?

▪ Factory Management and Maintenance, *Vol. 113, No. 12, p. 84:6.*

Remember also that methods and equipment are changing; provide for the bigger loads ahead.

4. *Check roof-truss capacity.* In addition to usual loads, roof-truss capacity must be planned to accommodate overhead handling equipment used in normal plant operations. Maximum lifts, load weights, and clearances must be considered. Layout planning in three dimensions is advisable.

5. *Check floor - truss clearance.* Higher ceilings are a significant trend. Among the reasons are overhead handling systems; more tiering of materials; bigger and taller machines; double-deck operations; use of height to ease summer discomfort. Building planners should advise the designer on such factors as: characteristics and dimensions of machinery; the combined height of machines and other obstructions, and the size of loads that must pass overhead; possible future needs for larger machines; and crane clearances.

6. *Check doorway height and width.* Often doorways are built too low and too narrow for fork-lift trucks. For example, a new plant has extra-high ceilings to permit tiering. This calls for a truck with extra high lift. All goes well until someone tries to drive the truck through a too-low doorway.

Automatic or power-operated doors are very important to the smooth operation of mobile equipment. Also, doorways should be large enough to permit future extension of monorail to adjacent facilities.

7. *Check service areas.* Space for maintenance and other services is usually included in factory plans. Frequently, however, methods and equipment, as well as layout details, are left to be worked out later. This lapse in planning can cause expensive maintenance delays. The building designer should receive full information on planned maintenance and service operations.

8. *Check elevator size and capacity.* Elevators must be able to handle the combined weight of truck and load, with a reserve for even heavier loads in the future. Elevator door size should be related to the over-all size of truck and load. Also, elevator equipment should provide for precise leveling; the smallest differences between floor level and car-level may dislodge a load.

9. *Check receiving and shipping areas.* The important element here is close correspondence between rail and truck dock heights and the floor heights of boxcars and highway trailers. Because relative height changes as truck or boxcar is unloaded, dockboards are used as bridges. But planning simplifies the matching of dock to floor height.

Adjustable loading ramps are a must because of the varying heights of truck and trailer beds. If a spur railroad is part of the warehousing plans, allowance should be made also for varying sizes of boxcar doors.

The most serious dock problem seems to occur when the receiving area is too small.

10. *Check ramps and inclines.* Hold them to a minimum; they can impair the over-all efficiency of industrial truck operation.

The maximum grade varies considerably, depending on trucks, loads, and the frequency with which ramps

are used. Generally a truck can make an 8 per cent grade, whereas 5 per cent is all a tractor (with trailer train) should negotiate.

The crown at the top of a ramp must be rounded sufficiently to permit the truck's frame members to clear. It is important also to build adequate clearance at the bottom so that a truck can get a running start.

The Older Worker and the New Technology: A Union View

WITH THE advent of automation, we have—for perhaps the first time in the history of man—reached the stage where our scientific prowess has provided the tools for the abolition of poverty and scarcity. However, these tools must be used intelligently, or a great opportunity for human advancement will be missed.

The major problem to be faced is the maintenance of full employment within the context of an expanding economy. The rapid acceleration of productivity associated with automation requires that greater attention be given to this task. Automation does not alter the fact that it usually takes an older worker longer to find a new job than a young worker, assuming all other factors are equal. But automation does mean that more older workers will be facing this situation than in the past.

In some respects, however, automation changes job content in a manner which could make the older worker a more desirable job candidate than a young worker. Characteristically, an automated job is one on which physical effort has been drastically reduced. The operator is a machine attendant, or a watchman or caretaker. His responsibility is greatly increased as the amount of machinery under his control is much larger than formerly. The fact is that the decreased physical effort and increased responsibility on most automated jobs make the mature, responsible, reliable worker a better choice in many instances than the husky adolescent.

How flexible are older workers? Will they want to and will they be able to train for new and different occupations? Toolmakers and electronics engineers are not trained overnight — under present arrangements lengthy training courses are required. How will the income of the older worker be maintained while he is in training? If the new job is in a different community, where will he get the money to relocate his family? There are many difficult questions to be solved, and they will not be solved

■ *From an address by James Stern (Staff Consultant, UAW-CIO Automation Committee) before the Eighth Annual Conference on the Aging, University of Michigan, Ann Arbor.*

until we face up to the basic economics involved.

Under present-day circumstances, individual managements first try to find already trained young men for the new jobs. These workers are trained at community expense under our philosophy of free public education. So long as these men are available to an employer, he finds it cheaper to hire them than to retrain older workers. But when the community allows a 45-year-old man to be turned out without retraining, we suffer a social cost.

The problems associated with the harnessing of automation are big. And big problems demand big solutions. We in the UAW will do our best to live up to our responsibilities. The Guaranteed Annual Wage will alleviate hardship during the forced shift from job to job. And the demand for a shorter work week is now coming to the top of the UAW collective bargaining agenda.

Local unions all over the country have been meeting with their respective managements in attempts to modernize the wage, classification, and seniority systems in the plants under UAW contract. In effect, we are saying that where management has "automated" production, we will "automate" the wage, classification, and seniority structure.

This portion of the UAW program is particularly important to the older worker. For the most part he is a high seniority worker. In those plants where seniority is on a departmental basis, the installation of one machine may eliminate his job and wipe out his years of seniority.

Departmental seniority is, however, obsolete. Automation makes necessary the widest possible seniority base if we are to keep to a minimum and share equitably the disruption accompanying automation. Corporation-wide seniority will protect older workers in the plants of the major concerns replaced by new facilities. Older workers in smaller firms can be protected by the negotiation of preferential hiring rights in the same industry and area. In addition, severance pay, retraining pay, and relocation allowances will enable the older worker to cope with the problems of an industry in transformation far better than he can at present.

I should make clear that the UAW has frequently and publicly stated its position as regards automation. We don't oppose automation. We favor the introduction of the much more efficient work methods associated with automation. We see in these developments a remarkable chance to increase living standards. We believe, furthermore, that automation provides such great wealth that it would be morally unforgivable if some of this new abundance that automation makes possible is not devoted to the smoothing of the transition for the workers directly affected.

Any intelligent person should be concerned with the socially undesirable by-products of rapid change. To label as antiprogress those in society who voice a legitimate concern with these by-products is in actuality an effort to shut one's eyes to the problems that historically, and almost inevitably, accompany rapid strides to new and higher plateaus of human satisfaction and economic well-being.

An Office-Cleaning System That Pays Off

A NEW, SCIENTIFIC office-cleaning system has cut costs by one-third at Nationwide Insurance of Columbus, Ohio. Developed over the past five years, the plan is now in operation at Nationwide's home office and 10 regional offices.

Distinguished features of the system include a program for improvement of employee morale. The word "janitor" has been replaced by "sanitor." Uniforms are provided, so sanitors can come and leave dressed like other office workers. Instead of being assigned to a gang which moves from floor to floor, a sanitor is made responsible for the cleanliness of a specific area. For good work, he gets honor awards, salary increases, and a chance for promotion.

In addition to a research program on equipment, a research program on work has also been developed. Operations outwardly as insignificant as wiping a desk top have been studied to eliminate unnecessary movements. Before the new system was adopted, each sanitor cleaned 6,000 square feet a day; now he handles 13,000, is less tired, and has more pride in himself and the company. And costs—despite inflation, increased salaries, and the addition of fringe benefits—have dropped from 65 cents a square foot to 41 (net rentable).

—Management Methods 3/56

Industrial Expansion Plans Set a New Record

BUSINESS MEN are planning to increase investments in new plants and equipment to nearly $35 billion this year, a gain of 22 per cent over the $28.7 billion spent in 1955, according to the Department of Commerce and the Securities and Exchange Commission.

But a recent survey conducted by the *Journal of Commerce* among 220 area development groups shows that the benefits of this new capital goods boom are not being distributed evenly. Among the respondents, 57.5 per cent report that there is more interest and demand for plant sites in their areas now then a year ago. The gains reported by these areas average about 15 per cent, with one area even reporting a gain of 110 per cent and another 84 per cent.

Among the rest of the areas surveyed, 38 per cent stated that such inquiries and demand were at about last year's level; only 4.5 per cent of the areas reported a decrease in interest.

—The Journal of Commerce 4/3/56

AMA SPRING INSURANCE CONFERENCE

The Spring Insurance Conference of the American Management Association will be held Wednesday through Friday, May 9-11 inclusive, at the Hotel Roosevelt, New York.

Are Your Salesmen Getting the Most from Call-Backs?

HAVE YOU explored all the good reasons you might use to help your salesmen improve their standing with regular customers on their call-backs? In case you haven't, there are a lot of good sales ideas in this roundup of reasons for making another call. The following checklist of reasons for a call-back is a sales tool any salesman might reap some specific benefits from.

1. To remind the customer it's time to re-order. Many sales are lost because the product wasn't available.

2. To be sure he is satisfied with his purchase. The satisfied customer is nearly always a repeat customer.

3. To submit a plan for better use of your product. If it saves time or money, it will interest the customer.

4. To suggest a plan for financing future sales. Worrying about the customer's future will insure your own.

5. To be sure payment dates are convenient for the customer. If it's convenient to pay, it's convenient to buy again.

6. To learn whether a new contract will be acceptable. Whether it is bigger or smaller, the customer will sign if you cite all the benefits.

7. To check on the changed responsibilities of other contacts in the company, especially those whose decisions may affect future sales.

8. To train customers' employees to use or resell your product, or to submit a plan for doing so.

9. To explain benefits from volume ordering. A penny saved today may mean a bigger order tomorrow.

10. To illustrate a new product use or selling technique. More sales for your customer, or increased use of your product, mean more sales for you.

11. To demonstrate an improved product or service. Almost anything new and useful will get a receptive listening on a call-back.

12. To check and advise on the proper maintenance of equipment. Salability of a product is frequently related to its durability.

13. To determine what use other departments of the company can make of your product. Few salesmen fully explore this easy road to more sales.

14. To service a complaint—with a solution acceptable to the customer. Customers buy from the salesman who sells solutions to problems.

15. To suggest another order, or replacement of obsolete goods. Increasing the efficiency of a customer's operation may mean more money available to buy your product.

16. To tell of new or future sales promotion plans. Anything that helps a customer sell helps him buy.

17. To congratulate him on a new

■ *William J. Tobin.*
Printers' Ink,
February 3, 1956, p. 70:2.

expansion program, increase in sales, new advertising campaign, etc. These are good reasons to suggest an increase in the size of his order.

18. To submit a long-range program for buying, stocking, using, or selling your product. This is an excellent way to marry your customer to your company.

19. To explain a change in price. Tell the customer of the benefits of the change before your competition tells him something else.

20. To check on a late re-order, a missed payment, etc. Let the customer know that his business is important to you.

21. To offer a demonstration of a new product or new model. A good product or service will always prove itself in the testing.

22. To settle a credit claim. It could mean saving the sale, and easier selling later.

23. To explain the use of a new buying guide, catalogue, or company instruction sheet.

24. To suggest a profitable tie-in with an important industry, trade association, or civic activity. The bigger the sales promotion package, the more you sell.

25. To discuss plans for meeting competitors' claims, opening new markets, or improving product and service.

26. To anticipate a change or complaint. Catch them before they turn into production tie-ups or lost future orders and customer good-will.

27. To make a personal delivery of an order, sales promotion literature, or a business-building idea. Proving you have the customer's interest at heart opens the door to future sales.

28. To follow through with a sales pitch tailored to the needs of the "see me later" prospect. The procrastinator buys when he is persuaded the time is right.

29. To see and sell the new man with the new job. A new man means a new viewpoint, possibly a new sale.

30. To re-educate the buyer in the use, care, maintenance, or resale of your product. It's your opportunity to resell the "sold" buyer with an up-to-date presentation.

Company Museums Are Paying Off

COMPANY MUSEUMS are gaining recognition as invaluable, multi-purpose corporate tools. Originally conceived solely for prestige, such museums now are being used for designing, research, legal and patent studies, sales training, tours, and institutional advertising. In some companies, they are the focal point for successful community relations programs. One of their greatest assets is that they can provide perennial, low-pressure company promotion.

■ *Carl Spielvogel.*
The New York Times,
April 1, 1956.

Prior to World War I, there were probably fewer than 10 such corporate installations in the nation. By 1944, there were 80. Although no

exact figures are available, it is estimated that there are now several hundred.

Among the concerns featuring museums are the Ford Motor Company, the Bell System of the American Telephone and Telegraph Company, the Western Union Telegraph Company, the Radio Corporation of America, Schenley Industries, Inc., Hallmark Greeting Card Company, Colt's Manufacturing Company, and Cluett, Peabody & Company.

Two of the newest museums are those of the Towle Manufacturing Company, silversmiths, of Newburyport, Mass., and the Cincinnati Milling Machine Company. The Aluminum Company of America will soon join the movement.

The Baltimore and Ohio Railroad is generally credited with having set up the first extensive collection for public viewing. It gathered railroad memorabilia for showing at the Chicago World's Fair in 1893, and later moved the exhibit to permanent quarters.

Some of the museums trace the history of a business. An example is that of the H. J. Heinz Company in Pittsburgh, which has preserved some of its earliest buildings.

Others place a company's products against a related background of history, for instance, the John Woodman Higgins Armory Museum of the Worcester Pressed Steel Company at Worcester, Mass. Now in its twenty-fifth year, the armory houses what is said to be the world's second largest collection of armor—the one at the Tower of London ranks first. About 265,000 persons—more than the population of Worcester—have visited the museum.

Companies report that the benefits derived from the museums offset the expense of establishing and maintaining them. They say a day in a museum is a painless and effective way of acquainting new employees with a company and its products.

The Underwood Corporation contends that "research without reference is no research at all." For this reason it maintains an extensive museum of its office machines and competitive models in a wing of its laboratory at Hartford, Conn. There its designers and engineers perform post-mortems on old devices. Also, all machines, whether sold commercially or discarded, are kept intact for patent purposes.

Perhaps the best example of the benefits of museum operation is that of the Corning Glass Works. Its Corning Glass Center at Corning, N. Y., has attracted some 2 million persons in less than five years. Visitors have come from every state in the nation and from 50 foreign countries.

The center was built in 1951. Company officials wanted a program that would be enduring and sufficiently broad to interest Corning's employees, stockholders, customers, the scientific, artistic, and educational professions, and the general public. "The main purpose of the center is to provide in one place a complete picture of a single industry," according to Amory Houghton, chairman of Corning.

The center houses a museum of glass, which displays rare examples of glassmaking dating back to 1500 B. C.; a library, said to be the world's

most complete collection of reference materials about glass, a hall of science and industry, and the factory of Steuben Glass, Inc.

The center has become the focus of cultural and social activities for the community and employees. Attendance at community functions alone has reached the 500,000 mark. (Corning's population is about 18,000.) The company says employees take great pride in showing their families and friends through the museum.

James M. Brown, director of public affairs, says the company has attempted to avoid any suggestion of paternalism. "We don't give anything away and we don't compete with regular community activities," he asserts.

In summing up the company's experience, Mr. Houghton says: "The public reception is far beyond any estimate we made, and the public relations value to our company is inestimable."

YOU WILL MAKE more friends in a week by getting yourself genuinely interested in other people than you can in a year by trying to get other people interested in you.

—*Arnold Bennett*

Caption: S. M. Dettman

"I put Mr. Zopnick's letter up here; when I bend down to 'Z' I pop my nylons."

—Tide 3/24/56

Industry on the Move

WHETHER you buy or sell in the U.S., operate a plant or other type of business, whether your interests are in technology or marketing or banking, the changing industrial face of the nation is important to you.

And it *is* changing: Industry is moving from the old Eastern and Midwest centers to the South and West. Smaller areas are growing faster than the huge cities. These shifts have been going on steadily for some time—and will continue.

What's behind these vast changes? At least five factors: (1) High transportation costs are causing industry to search for shorter hauls; (2) raw materials are luring refiners and fabricators to close-by locations; (3) lower wage rates are a real magnet, especially in the South; (4) cheap federal power is pulling big power-users to the new dam sites and the electrical networks that spread out from these huge dams; and (5) fresh markets are arising as industry mills around.

Looking at the changes by areas, you will find that:

New England has been slipping steadily. Once soft goods were its big product—but that is no longer so. Today, the New England economy is split about 50-50 between soft goods and hard. True, since 1947 New England has gained in the making of furniture, railroad equipment, apparel, leather, and—to some extent—communications equipment. But it is not enough to offset a 15 per cent drop in soft-goods jobs or the 8 per cent decrease in manufacturing employment.

As for the future: It looks as if the downward trend will not be readily halted or reversed.

The Middle Atlantic region, too, has suffered some setbacks. Once the nation's No. 1 industrial area, it has fallen to No. 2. There have been gains in the manufacture of metal products, automobiles, and railway equipment. But in aircraft, shipbuilding, and apparel the Middle Atlantic share of the U.S. total has dropped a good bit.

As for the future: The Middle Atlantic probably will lose still more of its industrial standing. High wage rates are one factor influencing the future.

The South Atlantic states, seven in all, have reversed an earlier downtrend and now are the third-ranking industrial region in the nation. Soft goods (textiles and apparel) have grown rapidly. And there are good gains in shipbuilding, aircraft (notably in Georgia), and furniture (in North Carolina).

As for the future: More gains, on a moderate scale, are expected, for there is still a big pool of relatively cheap labor and power.

The Great Lakes area today is the

▪ Management Digest *(McGraw-Hill International), December, 1955, p. 11:2.*

nation's No. 1 industrial center. This is not because of any gain in jobs—it is because the Middle Atlantic region dropped back to make way for the new champion. The division of employment here is about 70 per cent for durable goods, 30 per cent for non-durables. Industries with fewer jobs are railroad equipment, fabricated metals, leather, rubber, furniture, and automobiles. The most significant gain has been in aircraft.

As for the future: This region's standing in industry will not change much in the near term; but it could go up fast if and when the St. Lawrence Seaway is built.

The Farm West continues to grow moderately over the years.

The future: More growth looks likely. New plants (as a share of the U.S. total) are going up faster than the share of manufacturing employment.

The South Central states are not much of a factor industrially. There have been gains in apparel and chemicals, but jobs in hard goods dropped off.

The future: Slow growth is the best to be expected.

The Southwest is zooming like a skyrocket. It is the second fastest-growing region in the U.S. and may soon be the fastest. This is due to the expansion in such industries as petroleum, chemicals, metalworking, lumber, paper, apparel, and leather.

The future: Tremendous expansion is certain.

The Mountain region is the smallest industrial factor in the U.S. There have been gains in aircraft and chemicals, though the production of food is losing ground relatively.

The future: Growth prospects are good. More cheap power is on the way, and the construction of new plants is encouraging.

The Pacific coast is the fastest-growing industrial region in the nation, as it has been for quite some time. During the past seven years, hard-goods employment—marked by a threefold increase in aircraft—rose nearly 50 per cent. In non-durables, there was a less spectacular gain.

The future: Some slowing of growth seems due, though new federal hydropower in the Northwest will offer a strong attraction to industry.

This sums up the nation-wide picture geographically. And that automatically explains something else: the growth of smaller cities vs. the bigger ones. For as industry has been moving from the East (where the big cities are concentrated) to the South and West (where urbanization is not so marked), it follows that the relatively little places are making a better showing than the big ones.

How to Deal with On-the-Job Gambling

ORGANIZED gambling in a company plant can be costly to workers and management alike. It's particularly likely to become a problem in periods of overtime and full employment, or when for some other reason there is an influx of new workers—as in the case of new plant construction. The symptoms are easy enough to spot: unexplained production lags which coincide with major athletic events; complaints from employees' wives that take-home pay isn't getting there; mounting wage garnishee orders; the appearance of scratch sheets or dream books.

Companies that have faced up to the problem say that gambling can be stopped—by discharges, disciplinary action, posters, and supervisory alertness. In most cases, unions will cooperate.

A typical anti-gambling plan might include:

1. Getting written agreement from the union that it will not fight gambling discharges.

2. Posting warning notices prominently, with quotes from the union contract where possible.

3. Establishing the responsibility of supervisors and guards to stop gambling.

4. Keeping the plant security force out of the main plant bargaining unit.

5. Enlisting police aid in cases of active gambling.

6. Supporting police action against nearby gambling centers.

7. Keeping an eye on places in the plant that might be used as gathering spots.

—The Iron Age 3/22/56

Cost of Living Evens Off

DECLINING COSTS of food and clothing have largely offset rises in other prices, with the result that the cost of living has risen only 1.6 per cent in the last four years, reports the research department of the National Association of Manufacturers.

Retail food prices have been in a generally declining trend since January, 1952, and now average about 3 per cent lower than they were four years ago. For most families, food is the largest item of expense. Clothing prices have dropped 2.2 per cent in the last four years. The largest cost-of-living increase during this period has been for medical care, up 11 per cent. Other increases include 5.7 per cent for housing, 5 per cent for personal services, and 2 per cent for transportation.

—Commerce 3/56

NEARLY 60 per cent of American men aged 65-69 are still in the labor force, as are 40 per cent of those aged 70-74, according to a recent report by the Twentieth Century Fund.

Downward Communications: A Survey of Company Practices

THOUGH THE SUPERVISOR'S daily, face-to-face contact with his employees is the mainstay of all management communication, almost every company uses some other, more formal communications devices—such as bulletin boards, letters to employees' homes, house organs, employee meetings, stories in the local press, and the like. But just how, and how much are they used, and how do they stack up in management's opinion?

In a recent survey of its Personnel Policies Forum (representing 106 large and small companies in all types of industry), the Bureau of National Affairs found that, among the various formal media of downward communication, management gives the highest "effectiveness" rating to letters to employees' homes. Among the other media considered "most effective" were bulletin boards, small employee meetings, publications for supervisors, and supervisors' meetings. Media considered least effective (in the order named) are: morale posters, pamphlets on special subjects, pay inserts, bulletin boards, reading racks, news stories in the local press, and advertisements in the local press.

Interestingly enough, several of the techniques held to be least effective—for instance, morale posters, "canned" pamphlets on specific subjects, news stories in the local press, and pay inserts—are in use in close to 50 per cent or more of all companies. Also of some interest is the fact that bulletin boards—used by all companies represented in the Forum—are considered the most effective technique by 30 per cent of firms but the least effective by between 5 and 10 per cent of companies.

Individual layoffs, transfers, and salary or rate changes are generally communicated to the employee by his immediate supervisor in a private interview; changes which affect a group of employees are usually announced via bulletin boards and employee meetings. Supervisors themselves are kept posted on such developments through supervisory meetings, supplemented by bulletins, news releases, and other printed materials.

Among companies which have unions, personnel executives favor the idea of using the union to pass on information to employees in a majority of cases. Specifically, replies to the question, "Do you make use of the union to pass on information to employees?" are as follows: Among the larger companies (with 1,000 or more employees) the answer is an unqualified "yes" in 51 per cent of the companies; "sometimes," in 13 per cent; and "no" in 36 per cent. Among the smaller companies (under

■ Personnel Policies Forum *(Bureau of National Affairs, Inc.), Survey No. 35, February, 1956.*

1,000 employees), the percentages for these same answers are 64, 8, and 28 per cent respectively.

Company house organs are published regularly in close to three-fourths of larger companies and one-half of smaller ones. The typical publication is a monthly magazine, printed by letterpress or offset and mailed to employees' homes. The personnel and/or industrial relations department is in charge of the employee publication in two-thirds of larger companies and nearly all smaller firms which have such publications. Public relations has this responsibility in roughly one-sixth of larger companies.

Among companies which have employee publications, full-time editors are in charge in 81 per cent of the larger firms but in only 21 per cent of the smaller concerns. In roughly two-thirds of larger companies and nine-tenths of smaller ones which have publications for employees, the editor operates with no full-time editorial assistants. Paid part-time editorial assistants are found in only 22 per cent of the larger firms and 33 per cent of the smaller ones.

Employee publications are distributed by mail to employees' homes in 59 per cent of the larger companies, and 64 per cent of the smaller companies, and are handed out by supervisors in the department by 11 and 23 per cent, respectively. In the remaining cases, house organs are passed out at the plant gate or are picked up from racks in the plant.

Besides letters and house organs, materials which are mailed to homes include annual reports (mentioned by 20 per cent of larger and 12 per cent of smaller firms) and a variety of booklets and pamphlets on such subjects as safety, pension plans, insurance, and other benefit plans. Literature mailed out by companies to employees deals also with such items as contract negotiations and union elections, company products, company savings programs, charity drives, economics, employee discount sales, and employee social functions. One larger company sends out letters to employees with the object of recruiting help.

The supervisory meeting is the medium used with greatest frequency in keeping first-line supervisors posted so that they are in a position to pass on information to rank-and-file employees. Such meetings are held by nearly all companies participating in the BNA Forum. In general these meetings are scheduled on a regular basis, monthly, weekly—even daily.

First-line supervisors also receive a variety of printed materials—management bulletins, news releases, memoranda, letters, and newsletters—bearing on various aspects of company operations. Among other things, they may get copies of the minutes of departmental meetings, advance copies of letters to employees, and advance copies of all bulletin board notices and pay inserts.

ON THE AVERAGE, business incorporations now total 11,600 new charters each month. During 1955, there were more than 139,600 new incorporations, an increase of 50 per cent over 1952.

For the Specialist . . .

Planning Group Major Medical Benefits

WHAT POINTS should be considered in planning group major medical benefits for employees? This question is coming increasingly to the forefront as more and more companies seek to include this coverage in their benefit programs.

First, a brief definition: Group major medical is broad medical care insurance without schedules and inner limits, providing very high dollar benefits through the use of coinsurance and deductibles. It is usually written on top of a basic hospitalization and surgical expense contract. The most popular single deductible is the $100 corridor deductible, wherein an insured is required to pay $100 out of his own pocket after the benefits have been paid by the basic hospitalization and surgical contract. After the deductible is paid, 75 or 80 per cent of practically all reasonable and necessary medical care expenses are paid by the major medical. The most popular maximum is $5,000.

There are, of course, many other types of plans available on the market. The fact is, however, that buyers create the market and call the tune as to exact benefit details. Here, then, is a brief review of points to be considered in planning benefits.

In selecting the deductible: Is it simple to understand? Does it provide the optimum of coverage for serious illnesses? For example, how often is the deductible re-applied?

Will the selected deductible be popular with the employees? One of the reasons why the corridor deductible mentioned earlier is desirable is because the employee can carry the outline of the plan around in his head, and a few reminders once in a while keep it there. From an enrollment success standpoint, the type of deductible is not an important consideration, being secondary to the contribution required of the employees and the presentation of the plan to the employees by the personnel department and insurance company.

Of course, cost is an important consideration in the selection of the deductible.

In selecting the maximum the considerations are (a) the expectations of the employees, (b) the degree of risk involved with maximum amounts above $5,000, and (c) the cost.

As a matter of history the $2,500 maximum is practically never used. Variations in the maximum amount by class of employment are usually inadvisable, personnel-wise. How often the maximum can be reinstated is important. The automatic reinstatement of the full maximum each six or 12 months would subject the plan, in the writer's opinion, to a degree of risk which the employer would

▪ *William A. Halvorson.* Best's Insurance News, *January, 1956, p. 66:3.*

not be willing to accept. Once a major medical plan goes into effect, there is little chance of dropping it, at least from an employee relations standpoint. If a dependent receives $5,000 or $10,000 each year from benefits, the employer may have to double or triple his own cost of the plan, or ask the employees for much more in contributions. He wishes a compromise which provides adequate benefits and which is a permanent plan he can live with.

In selecting the coinsurance, the practical choice is between 75-25 per cent or 80-20 per cent, wherein the insured pays one-fifth or one-fourth of each dollar of medical expense, and the plan pays the rest.

In selecting the length of the benefit period, it should be remembered that major illnesses are usually of fairly long duration.

What medical expenses should be covered? Most major medical contracts now provide for coverage of all reasonable charges for necessary medical care and services which are ordered by a physician licensed to practice medicine. A list of important covered charges will include: charges by regular hospitals, charges by a licensed physician or surgeon, and charges by a registered nurse, radiologist, physiotherapist, or professional anaesthetist if ordered by a licensed physician; and also, diagnostic X-ray and laboratory charges, drugs and medicines, casts, splints, and other appliances, and transportation to the hospital, where recommended by the physician as necessary for treatment of an illness.

Although this list seems all-inclusive, the limitations section of a major medical contract or the listing of covered charges, allows for some notable exceptions.

Convalescent and rest home confinements are not usually included. The problem of defining in writing in the contract which confinements are legitimate confinements for necessary medical treatment, and which are largely due to the choice and desire of the insured or his family for other than strictly medical reasons, is difficult. Nursing care other than registered nursing care is not included because of the problem of distinguishing legitimate nursing care from nursemaid service. Normal dental care is excluded, except for dental treatment required as a result of an accident. The cost of insuring dental care is uncertain at this time except it is known to be very high.

Major medical contracts should not exclude expenses for treatment of alcoholism or nervous or mental conditions. Modern medical and social thinking recognize these as legitimate illnesses for which treatment is necessary and is often successful. The saving in cost by excluding these does not warrant the complications of the ill feeling it would create. Simplicity, one of the prime fundamentals, demands comprehensiveness in design.

In the next few years the trend toward comprehensive major medical should proceed at a greater speed than was true in the case of regular major medical. By comprehensive major medical, I mean a plan which is simply a low - deductible major medical plan but under which no basic hospitalization or surgical con-

tract exists. An example would be a plan which required the first $50 to be paid by the individual. If expenses were greater than $50, the plan would pay 80 per cent of all extra charges up to a maximum of $5,000. My reasons for believing this plan will become more important can be briefly stated:

1. The major medical type of broad and extensive coverage through simple design is being gradually accepted as sound health insurance planning.

2. I believe that the needs and the ability to pay are now more evenly matched since the comprehensive major medical plan will usually cost no more than the sum of the basic hospital and surgical plan plus a regular major medical.

3. The employee can be encouraged to cover more of the relatively minor and routine illnesses out of current earnings or savings.

4. Competition between insurance carriers for this type of business will undoubtedly be aggressive and, of course, the enthusiasm of agents and brokers and personnel departments for a new plan of insurance will carry it quickly to the front.

Ways of Cutting Your Correspondence Costs

TAKE A second look at that batch of mail at the end of the day's work. It represents a sizable outlay of money. The cost of preparing and issuing a business letter, it has been reliably estimated, can range from 50 cents to more than a dollar in some offices today. Wherever the cost is that high, it will bear close analysis and corrective action.

Few office executives possess a detailed knowledge of such costs in their own operations. A study should be made periodically, not only of the basic costs of stationery and postage, but of labor, a proportionate share of general office overhead, supplies and materials, and the cost of machines used in handling correspondence. When this analysis is made, we obtain a clearer picture of how to proceed in reducing these costs.

One of the most prevalent weaknesses leading to high cost is waste of stationery. The design and printing or engraving of letterheads represents a considerable investment. This means additional cost each time a sheet gets into the waste basket. Permitting more liberal erasure, for example, not only reduces waste of stationery but saves stenographers' time as well. Stationery waste can also be reduced through a rule requiring each typist to check names and addresses before beginning a letter or an envelope. One survey disclosed that the high envelope cost in a large office was caused by too great an emphasis on speed in addressing, so that typists gave hurried glances at the copy and made numerous errors.

Another check should be made on

■ *Ernest W. Fair.* Purchasing, *February, 1956, p. 120:5.*

methods of storage and issue of forms and stationery. Issuing these supplies in too large quantities contributes to waste and high cost. Stored papers are kept in better condition when in the original boxes or wrappers; storage on desk tops results in soiled and rumpled sheets.

In offices of even moderate size, postage meter machines almost always help reduce costs. The unit cost of stamps is small, and pilferage may seem to be an insignificant item, but over the course of a year it can reach sizable totals. Many companies also waste postage through use of too heavy paper and envelopes or use of too many enclosures. Fine quality papers are available in the 13-pound weight. Where correspondence tends to be heavy, that small difference can frequently save the extra stamp required on overweight letters.

Most of the cost of handling office correspondence consists of salaries paid to personnel. Too often office managers judge the stenographer or typist by speed tests rather than the ability to turn out a given volume of correspondence in the day's work. The employee who turns out her work at a steady pace without mistakes is the one who, in most cases, is keeping correspondence costs down.

Many companies have also found that a series of standard form answers to certain types of correspondence, made available to each stenographer, can cut down labor costs. One office found that 85 per cent of its correspondence could be answered with six simple form letters, with only a slight change now and then required.

Another firm reduces this cost through use of printed postcards, requiring only check marks to indicate the appropriate message. These are used in answering queries where the form reply does not give offense. A girl can handle 10 or more of these in the time that would be required to answer a single letter.

Even this type of short cut lends itself to simplification. On one in particular, 20 spaces were being filled out where 75 per cent of the cases required information in only three to five categories. A new "short form" was then designed to handle this 75 per cent group, while the old form was retained only for use in the cases where the complete information was essential. Since hundreds of these forms were filled out each month, the savings in stenographic costs amounted to a good round figure, with additional minor savings in supply expense and file space.

In eliminating waste, unproductive time in the office is also of utmost importance. Dictating machines are tremendous timesavers. They conserve the time of stenographer-typists, who may otherwise spend many idle hours waiting while dictating is interrupted by phone calls and other intrusions. The dual job of transcribing is also cut in half.

Assignment of correspondence to individual employees can also be studied to good effect. Some individuals, it is found, are more adept at answering one type of correspondence than another. Some have a better background to handle the information involved. Since keeping costs down requires maximum output from everyone on the staff, individual talents and abilities should be exploited wherever possible.

Proper maintenance of office machines is also important. Many studies have revealed that it is far less costly in the long run to adopt a program of regular inspection and preventive maintenance.

General equipment and supply costs should also be examined. Many typists are prone to change ribbons with as much as 25 per cent of their useful life still available. Better use of these and all other types of office supplies can also be studied. In far too many instances, the tendency is to consider such wastes of trifling importance—a matter of a few pennies. But, in the aggregate, the pennies quickly mount into dollars.

Short Cuts on Small-Order Purchasing

OF ALL the problems that clutter up normal efficiency in the purchasing function, none is more persistent than the small or emergency order. At the American Can Co., a constant effort has been made to improve the handling of this costly problem.

To alleviate this financial and operational headache we have approached the whole problem on a special basis. Primarily, we have "farmed out" our small orders to the factories, or, in some cases, to the lowest purchasing office level. This does not in itself reduce the number of such orders, but it does relieve the burden in the central office where costs are generally higher. It also saves the time of the more adept buyers and avoids delays.

We issue monthly, quarterly, or semi-annual blanket orders on selected suppliers to reduce the number of individual orders. We release individual items against these orders by telephone or any other communication method that is less costly than a formal purchase order. With these blanket orders, we get quantity prices from the supplier and still retain the advantage of frequent shipments.

As an adjunct to this policy, we use a special form for orders of less than $25 value. These are issued by the factory using the material, and no copies are forwarded to central purchasing. All processing and payment of these orders is handled through the office at the factory receiving shipment. In addition to cutting processing costs, it provides quicker payment to the supplier.

Central purchasing periodically reviews the commodities appearing in the small-order routine to see whether they can be combined. Sometimes repetitive orders can be removed and replaced by one large or blanket order for future shipments as needed.

As a final step, wherever possible we arrange with suppliers to stock hard-to-get items which must normally be ordered in small lots. Suppliers willingly cooperate, since they are assured of repeat business on their larger-than-normal stock of these items.

—*W. V. Duke in* Purchasing 2/56

The Ideal Office Manager: A Worker's-Eye View

Office employees like a supervisor with integrity, managerial skill, and "real human qualities," according to a nation-wide survey recently made by the National Office Management Association. The nearly 7,000 employees from middle- and larger-sized businesses who participated in the survey included clerical and stenographic help, office machine operators, typists, telephone operators, and filing clerks.

What makes a good supervisor? The questionnaire listed no fewer than 16 qualities, but the respondents in virtually every category put "managerial skill" first. Men in all age classifications ranked it first, as did all women, except those over 40.

There was less uniformity in rating among second, third, and fourth places, but the three most wanted characteristics were intelligence, common sense, and fairness, rated variously by the different groups.

Other characteristics were mentioned notably fewer times. The fifth, sixth, and seventh choices among all men were, respectively, experience, attitude, and understanding. Among women those rankings were occupied by understanding, attitude, and appearance.

The wisecracking supervisor evidently cuts little ice with his subordinates; sense of humor had the second lowest number of mentions among both men and women. Bottom place was reserved for another characteristic which might have been expected to do better—energy. In the middle ground were a variety of other traits: cooperation, personality, courtesy, loyalty, patience, and education, in that order.

As for the most undesirable characteristics in an executive, there was again a rather high degree of agreement. Injustice was the most strongly disliked trait, and there was considerable mention of superior attitude, untruthfulness, and procrastination. The tabulation of irritations also rated "know-it-all" attitude and grouchiness quite high.

In almost perfect correlation with the lack of emphasis on energy as a desirable characteristic, was the ranking of laziness as one of the least irritating qualities in a supervisor. It was tied with "swearing" for last place among the men, and was next to last among the women.

In the middle ground of undesirable characteristics were listed undependability, prejudice, narrow-mindedness, annoying mannerisms, poor management, and temper.

Male supervisors were greatly preferred by men and women alike. Most respondents thought that men are less emotional and more rational in their dealings, and more likely to employ sound reasoning.

■ Nation's Business, *February, 1956, p. 30:4.*

Those surveyed had some rather well-defined ideas as to the age relationship of the supervisor and his subordinates. In general, the leaning was toward a supervisor comparatively close to the age bracket of the people working under him. The most favored age for a supervisor was from 40 to 49.

Another question, dealing with the amount of personal consultation customarily held between supervisors and employees, revealed that such consultations are not a general practice in many of the offices surveyed, and that there was no uniformity of practice in the others.

The office complaint most frequently voiced by respondents was that there was "no recognition of good work." This held first place among the men respondents, though it was second among the women. Close behind was "salary relationships and policies," which was the greatest complaint of women, though it was rated third by men. Lack of office information was the third general area of complaint.

On the other hand, employees tend to have a high opinion of their own job performance. When asked, "Would you hire yourself?" nearly 86 per cent replied "yes."

The Business History: What's in It for Management?

IN THE past 20 years, many books and brochures have been published telling the story of various companies and how they grew.

Why does a management use company funds for this purpose? How can a company profit from such a history? Edmund Fitzgerald, president of the Northwestern Mutual Life Insurance Co., gave these reasons for having a formal company history prepared:

1. To help in the indoctrination of future management, agents, and other personnel.

2. To assist in reminding management of the origin and reasons for policies of long standing.

3. To supply material which will help in public relations.

4. To assist in sales promotion programs.

5. To assist students to evaluate business philosophy and practices.

6. To contribute to general knowledge by showing the impact of a business and its policies upon the region in which it is located and upon the nation.

To these six basic reasons a seventh may be added: to provide a sound historical basis for the objective examination of the types of decisions managements have made in the past and the kind of information that was

■ *O. A. Smalley.* Market Trends (*College of Commerce, Loyola University, Chicago, Ill.*).

used in arriving at these decisions.

Most companies which maintain records that extend back for long years into the past have this experience at their disposal, usually scattered, disorganized, and, for all practical purposes, unavailable to management. One of the basic benefits of a good company history is that it can, in a few hundred closely written pages, place at management's disposal the company's aggregate experience in such vital matters as marketing, product development, engineering, investment, expansion, labor and personnel relations, community relations, debt, management, and procedural and technical innovation.

In addition, the company history provides an excellent medium for the orientation and indoctrination of its personnel. For business men who have puzzled about problems of employee morale and motivation, who have labored long to build up a feeling of identification between employee and the company, the company history offers itself as a highly effective tool.

And in terms of public relations, even sales promotion, the company history yields a wealth of material which when intelligently employed can redound to the benefit of the organization.

Little can be expected of a company history prepared by unqualified writers, or from a product of the publicity office, largely fictional in nature. To be of value, the history must be objectively prepared, carefully researched, and written by persons with the proper background for the job, such as historians, economists, and business specialists trained in such areas as statistics, finance, marketing engineering, accounting, law, and transportation.

Vacation Practices in Plant and Office—A Summary

PAID VACATIONS are now so universal in industry that 99 per cent of employees in both plant and office are covered by some sort of vacation provision. However, the Bureau of Labor Statistics reports, provisions for white-collar employees are usually more liberal than those for plant workers.

After one year's service more than four-fifths of office but only about one-fourth of plant employees are eligible for a two-week vacation. By the end of the second year, all but 4 per cent of office workers get a second week; whereas in plant jobs it takes five years before a similar proportion of the workforce gets two weeks off with pay.

While not quite one-fifth of blue-collar workers are eligible for a three-week vacation after 10 years' service, among 10-year office employees the proportion getting three-week vacations is better than one-quarter. And after 25 years' service, one-fourth of office but only one-ninth of plant employees attain a fourth week off.

—Labor Policy and Practice *(Bureau of National Affairs, Inc.)* 3/15/56

ALSO RECOMMENDED

Brief Summaries of Other Timely Articles

GENERAL

WHAT BUSINESS MEN OUGHT TO KNOW ABOUT POLITICIANS. By Lyle C. Wilson. *Public Relations Journal* (2 West 46 Street, New York 36, N.Y.), March, 1956. 75 cents. In failing to penetrate the smoke-filled rooms of the political world, business men in general have missed important opportunities to inform government policymakers of their viewpoints. Industry can and should become familiar with lawmakers at all levels, says the author; refusing to cooperate with them, or not knowing how, can at times provoke damaging investigations or legislative action, with bad repercussions in public opinion.

DIVERSIFICATION IN BUSINESS ACTIVITY. By Roy A. Foulke. Dun & Bradstreet, Inc. (99 Church Street, New York 8, N.Y.). Single copy gratis. A highly interesting review of the economic forces at work and the management problems posed by the three periods of the corporate merger movement to date: 1898-1903, the era of the horizontal combination; 1918-1929, the age of the holding company; and 1944-1955, the present day pattern of the conglomerate acquisition. The author raises serious doubts both as to the economic soundness of the current merger trend and its exceedingly difficult demands on management's range of skills and experience.

A PERSONALIZED CONCEPT OF MANAGEMENT DEVELOPMENT. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), March, 1956. 50 cents. A description of the employee development plan at the Food Machinery and Chemical Corporation (San Jose, Calif.). Directed to supervisory and middle management personnel, the program aims to improve present individual job performance. It involves periodic review of the employee's record by a three-man panel plus a coordinator who synthesizes their appraisal. Tailoring the plan to the individual, thus avoiding the pitfalls of a "mass-production" approach, accounts for much of its success, the company believes.

ACHIEVING COMMUNICATIONS IMPACT WITH VISUAL MEDIA. By Robert D. Breth. *Connecticut Industry* (928 Farmington Avenue, West Hartford, Conn.), February, 1956. 25 cents. A summary of the author's research into classroom reaction during a five-year period. He suggests that illustrative material is most effective when it is easily associated by the reader, simple to grasp, and "humanized"; when it depicts movement or animation, has some humorous content, and is presented with some artistic skill. Also explored are the technical aspects of artwork in handbooks, manuals, brochures, etc., which most influence opinion and behavior.

THE USE OF LINEAR PROGRAMMING TO IMPROVE THE QUALITY OF DECISIONS. By A. C. Rosander. *Industrial Quality Control* (161 W. Wisconsin Avenue, Milwaukee, Wisc.), March, 1956. $1.00. A selection of typical business problems—preparation of tax returns, production quotas, and shipments to warehouses—which linear programming can be used to solve. These rather simplified examples are suggestive of the broader, more detailed scope of this technique and its applicability, according to the author. However, he warns that linear programming is only a tool: it can supplement sound judgment but not replace it.

CONFORMITY, FREEDOM, AND PROGRESS. By Robert S. McNamara. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), March, 1956. Gratis. The future test of American character will be not how well our people stand up under adversity, but how well they will endure prosperity, the author adjudges. Will vigorous, competitive individualism—the real genius of the American business world—yield to pressures toward conformity of thought and action? The author suggests that business leaders are uniquely equipped to oppose "sterile conformity."

A FORMAL MANAGEMENT DEVELOPMENT PROGRAM THAT WORKS. By J. Walter Sherman. *Public Personnel Review* (1313 East 60 Street, Chicago 37, Ill.), January, 1956. $2.00. An interesting, detailed presentation of the executive planning program in operation at Kelly Air Force Base, Texas. Executive and middle management committees, with individual coordinators, carry out the program, which includes appraisal of individual executive performance, inventory of the existent management and its potential needs, replacement planning, and finally, executive development. The author describes the execution of each of these phases, and emphasizes the success of the program to date.

TOO MUCH MANAGEMENT, TOO LITTLE CHANGE. By Leo B. Moore. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1956. $2.00. Management is missing out in production improvement in many cases because of its failure to consult with line employees, the author contends. Employee participation in group meetings, especially with middle management, can be a fruitful source for new ideas and techniques when problems arise, he suggests; but to be successful, they must be spontaneous, democratic affairs, free from pressures imposed by the problems themselves or by management dictation.

INDUSTRIAL RELATIONS

ARBITRATING GRIEVANCES. Ivan C. Miller. *Food Engineering* (330 West 42 Street, New York 36, N.Y.). Reprints available from Jules J. Justin, 21 East 40 Street, New York 16, N.Y. A symposium of viewpoints by authorities in the field of arbitration. They examine the machinery of arbitration at length, sketching typical cases and commenting on the elements in their presentation that shape the final decision. Many common management failures here are mentioned, together with a variety of suggested remedies.

PLOTTING PRODUCTIVITY AND MORALE. *Chain Store Age* (2 Park Avenue, New York 16, N.Y.), March, 1956. 35 cents. A high correlation between employee morale and the productivity and profit position of a business is shown in this study of an extensive survey made recently by the W. T. Grant Co. among its branches, nation-wide. The article outlines the mechanics and charts the results of this survey, which compared individual store performance as to annual volume, profit, and labor turnover with employee response to questionnaires designed to determine job satisfaction.

PREPARATION FOR RETIREMENT. By Anthony A. Salamone. *Office Executive* (132 West Chelten Street, Philadelphia 44, Penna.), March, 1956. 50 cents. A good general summing-up of the retirement problem and industry's efforts to devise practical solutions for it. The psychological and emotional factors in retirement are carefully reviewed by the author. On the whole, he concedes the wisdom of the prevalent retirement-at-65 policy, but raises some questions about its rigid application.

WHEN ARE GRIEVANCES AN INDEX OF GOOD OR BAD RELATIONS? By S. H. Unterberger. *Plant Administration* (481 University Avenue, Toronto, Ont.), March, 1956. $6.00 per year. In the author's view, the real index of good labor relations is minimization of labor and production costs; grievances are undesirable when they have an adverse effect here. Nor are the frequency of grievances in a plant or the ease with which they are settled always significant. This article, which is mainly concerned with the qualitative, human relations aspect of grievances, deals with the nature of disputes, their origins, the grievance procedure, and types of settlement.

UPGRADING TECHNICIANS. By Melvin Mandell. *Research & Engineering* (103 Park Avenue, New York 17, N.Y.), March, 1956. $1.00. As the engineer shortage increases in severity, many companies are devoting more thought and effort to keeping their technicians satisfied. The result has been a steady upgrading in rank and salary for technicians, company-sponsored training programs—often leading to engineering degrees—and assignment of more complex, basically engineering tasks. These and other aspects of the problem are discussed here by the author.

ACCIDENTS AND THE "HUMAN FACTOR." By Alan McLean. *Personnel Journal* (P. O. Box 239, Swarthmore, Penna.), February, 1956. 75 cents. Protective devices and engineering safeguards may have reached the point of diminishing returns as factors in safety programs, the author reports, and it may be more profitable to concentrate more study on the personality pattern of the "accident-prone" worker and discover what makes him tick. The author analyzes some of the actions and motivations of this group and suggests how accident prevention programs can be oriented toward them.

WILL MERGED LABOR SET NEW GOALS? By Sidney Lens. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), March-April, 1956. $2.00. The AFL-CIO merger represents organized labor's reaction to its actual loss in prestige and power during the postwar decade of prosperity, and its future course, like its immediate past, will be largely governed by developments in the economy, states the author. He emphasizes the essential moderation of the new organization—a result of the emergent middle-class status of its members, the large autonomy possessed by component unions and their heads, and continued national prosperity.

OFFICE MANAGEMENT

WHY EVERY COMPANY NEEDS A FILE MANUAL. By A. A. Deter. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), February, 1956. 35 cents. For all its concern with new systems, forms control, work-flow theory, etc., management may be neglecting such a fundamental of records management as the file manual, according to the author. The basic necessity for a manual and the steps involved in its preparation, its organization and content, and its overall goals and purposes are fully described in this article.

THERE'S MONEY IN FORMS CONTROL. By Dwight G. Baird. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), March, 1956. 35 cents. When Ford Motor Co. decided to attack paperwork proliferation — which had got a head start during its postwar expansion program—forms control offered a prominent and promising area for action. Ford's program, presented fully by the author, consisted mainly of consolidating and standardizing existent forms by developing a forms manual and functional file, analyzing

clerical work content, fostering the use of company-wide forms, and devoting considerable attention to printing economies.

FINDING IS MORE IMPORTANT THAN FILING. *The Office* (232 Madison Avenue, New York 16, N.Y.), February, 1956. 35 cents. What, if anything, can be done about the growing paperwork stockpiles in company files? The most obvious answer, and the one stated forcefully in this article, is to make better use of the "round file"—the wastebasket. The records retention and disposition schedule worked out by the American Oil Co., whose experience is described here, has resulted in release of high-priced office space and greatly increased accessibility to pertinent records.

MAN BITES DOG: OFFICE PROCEDURES CAME FIRST. *Modern Office Procedures* (1240 Ontario Street. Cleveland 13, Ohio), March, 1956. 50 cents. Designing office systems to fit sales methods is usual, but shaping a sales program on the basis of an ingenious inventory control system is more uncommon. Such a system—designed at the Boston Motor Parts Co.—and its coordination between the distributor and customer inventory and order scheduling is described here at length. The successful consolidation of the company's competitive position, largely through this inventory control system, is demonstrated.

THE WHITE COLLAR WORKER AND UNIONS. By Howard Coughlin. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), February, 1956. 50 cents. Today, only one out of six office workers belongs to a union. The author, who is president of the Office Employees International Union, AFL-CIO, predicts that the number will grow as (and if) the discrepancy between the economic status of the white- and blue-collar workers widens. He believes many non-bargaining considerations will also have an influence, and gives the implications of automation special attention in this article.

PRODUCTION MANAGEMENT

PRODUCTION CONTROL WITHOUT RED TAPE. By Stanley J. Zullo. *Modern Office Procedures* (1240 Ontario Street, Cleveland 13, Ohio), March, 1956. 50 cents. This description of the production control program of the Miehle Printing Press & Manufacturer Co. (Chicago), demonstrates how paperwork can be reduced and accuracy increased by an efficient system, according to the author. He analyzes the scheduling program, based on a point-load system, the make-up of the production order, follow-up, expediting, etc.

PRACTICAL LINEAR PROGRAMMING APPLICATIONS. By Harry T. Schwan. *Industrial Quality Control* (161 W. Wisconsin Avenue, Milwaukee, Wisc.), March, 1956. $1.00. The extension of this mathematical technique to the area of managerial decision can be equally useful, asserts the author, in helping develop basic company strategy or calculating the most efficient operations in a specific department. This article outlines its varied applications and inspects concrete production and scheduling problems to which it might typically be applied.

HOW PURCHASING CAN IMPROVE MAKE-OR-BUY POLICIES. By Alfred R. Oxenfeldt. *Purchasing* (205 East 42 Street, New York 17, N.Y.), March, 1956. $1.00. While basic make-or-buy decisions as to parts or products remain the primary responsibility of top management, purchasing agents are in a strategic position to influence such policies and should actively do so, the author feels. Some signs that a review of current make-or-buy policy is needed are the aging of productive facilities,

technological improvements, planning for expansion, and changes in the cost pattern, design, and intricacy of the product.

DEVELOPING A MAINTENANCE PROGRAM. By Napoleon Perkowski. *Automation* (Penton Building, Cleveland 13, Ohio), February, 1956. $1.00. With the growth of automatic factories, the maintenance function will assume an increasingly important role, according to the author, requiring skillful application of industrial engineering tools and techniques. Some components of the program considered here are establishment of a sound internal budget and charting maintenance costs by time-study and operations research techniques.

MARKETING MANAGEMENT

CONDITIONS OF MARKETING LEADERSHIP. By Arthur P. Felton. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), March-April, 1956. $2.00. Technological progress in production, the force of the expanding market, and its changing nature necessitate a fresh look at the complexities of the marketing function, the author is convinced. Case histories are related to illustrate various ways in which management has analyzed and facilitated solutions to typical difficult problems in distribution, product design, packaging, market research, and advertising.

OLD FOLKS AT HOME: CIRCA 1956. *Investor's Reader* (70 Pine Street, New York 5, N.Y.), March 21, 1956. A brief survey of the old-age market and some of the steps being taken by government and industry to meet its growing needs. Even though it remains a somewhat nebulous market, according to the editors, because of its limited income and prevailing uncertainty as to its needs, some industries, especially in housing and drugs, have made major gains in tapping its present potential. Some of this progress is traced here.

NEW BILLION DOLLAR MARKETS TO WATCH. By Nathan Kelne. *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), February 3, 1956. 25 cents. A capsule review of coming industrial development and expansion in the major geographical areas of the nation. Among the highlights treated are the phenomenal industrialization of the South, the projected St. Lawrence Seaway in the East, and the proposed Hell's Canyon Dam in the Northwest. The picture presented of this local growth and expansion dovetails with current forecasts of business prosperity, the author believes, and spells marketing opportunity for manufacturers in the next five years.

CALL REPORTS—MORE ABUSED THAN USED. By James K. Blake. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), March, 1956. 75 cents. Effectively used, the sales report can represent sales management's "most sensitive and current pipeline," evaluating customer attitude and the salesman's performance, the author stresses. He describes how several companies have been able to obtain extensive marketing information from call reports, integrated it with other data, and used it to help them consolidate their sales position.

MORE TIME TO CONSUME. *Tide* (2160 Patterson Street, Cincinnati 22, Ohio), March 10, 1956. 50 cents. Properly understood and exploited, consumers' increasing leisure can reduce the danger of over-production in the years ahead, since leisure creates fewer producers and, at the same time, more consumers for new leisure-type products. The nature of this new market is explored here through the eyes of leading sociologists who have closely studied its preference patterns and the "peer groups" that are setting them.

FINANCIAL MANAGEMENT

MACHINERY LEASING GROWS AND GROWS. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), February, 1956. 25 cents. Working capital and balance sheet considerations are perhaps still the primary determinants of leasing plans, but often many other production factors are also involved, according to this article. It lists many of the current types of leasing agreements and examines the functions of equipment-leasing firms. After surveying the implications of the new tax depreciation laws, it concludes that the use of the business lease will continue to grow.

THE STOCK MARKET IN PERSPECTIVE. By J. Fred Weston. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), March-April, 1956. $2.00. Much of the current speculation and fear of a stock-market break is altogether unfounded, and even dangerous, according to the author, for the needs of business expansion require further increases in equity capital and, by and large, current stock levels are sound. It is this latter point this article especially deals with, detailing and demonstrating a formula correlating market prices with the GNP that provides a working tool to gauge stock performance in the past and present—with projections for the future.

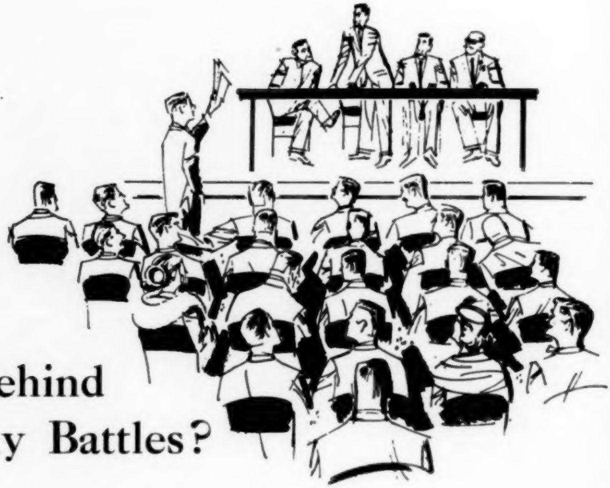
THE CREDIT MAN IN MODERN MANAGEMENT. By J. Wilson Newman. The Credit Men's Association of Eastern Pennsylvania (1218 Chestnut Street, Philadelphia 7, Penna.). 50 cents. The performance of the credit executive can be measured in terms of a company's sales growth and profits, the author believes. He examines the challenge presented by marginal and problem accounts and discusses the importance of risk evaluation in the company's long-range sales program. The problem of consumer debt and its current implications for the economy are also dealt with.

INSURANCE MANAGEMENT

INDUSTRIAL PLANE INSURANCE NEEDS. *The Weekly Underwriter* (116 John Street, New York 38, N.Y.), March 31, 1956. 25 cents. An entertaining discussion, in play form, of the complexities involved in this specialized field of industrial insurance. The various types of coverage necessary to protect ownership and operation of a business plane reviewed include legal liability, hull insurance, admitted liability, and hangarkeeper's and airport liability insurance.

FOUR PRINCIPLES OF PROTECTION. By John S. Bickley. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), February, 1956. 75 cents. The insurance program of any company, the author believes, can be evaluated by management in terms of the criteria presented here. Considering in detail the need and scope of the insurance, the probability of loss, and the ways and means of reducing coverage costs, the author covers such matters as self-insurance, deductibility contracts, stop-loss coverage, accident prevention plans, etc.

PROBLEMS IN REPLACING BASIC COVERAGE FORM WITH MAJOR MEDICAL TYPE PLAN. *Employee Benefit Plan Review* (166 West Jackson Boulevard, Chicago 4, Ill.), March, 1956. 50 cents. Although the basic insurance goal of pooling protection against excessively costly risks is well embodied in major medical coverage, many employees still resist the concept of the deductible and coinsurance that make such a policy possible. Ways and means of overcoming this resistance form the bulk of this article, a general discussion by four insurance authorities.



What's Behind The Proxy Battles?

■ *Wayne G. Broehl, Jr.*
Amos Tuck School of Business Administration
Dartmouth College

DURING THE PAST two years, large-scale corporation proxy contests have treated the American public to a revealing view of business. The man in the street has been liberally provided with press accounts of movie stars' views on corporate management, multi-page stories in national magazines on the respective campaign strategies of the "ins" and the "outs," and policy statements by well-known college football coaches. Perhaps never before has the public at large felt so keen an involvement in business life.

The importance of the companies involved in the recent contests and the greatly heightened public interest in the results have pointed up as never before the complex problems of management-owner relations. There is little doubt that the "new-look" proxy battle has brought to the surface some very penetrating questions about corporate management. A closer look at these basic issues seems to be in order.

ANATOMY OF THE PROXY CONTEST

In analyzing a proxy contest it is often difficult to tell what kind of "fight" is taking place, in view of the diversity of issues and

the range of techniques used to settle these issues. What is taking place may be primarily a struggle for control of the corporation; stockholders are confronted with a choice between two or more slates of board members and officers. In many contests, however, this electoral contest also reflects other disagreements, perhaps extending back many years—policies for expansion, dividends, stock splits, recapitalization, mergers, executives' salaries, etc. In many cases these issues are at stake without an actual contest for control.

While each proxy battle exhibits its own distinctive features, there are certain recurring general patterns that may repay examination:

1. *Management weakness is alleged.*

Many writers on corporate affairs have suggested that in practically every proxy fight the management has exhibited weak leadership; that contests occur only where management personnel have allowed the corporation to deteriorate or have failed to take advantage of opportunities that should have been exploited. Many recent cases appear to support this thesis strongly; the challenged management group has been lackadaisical or inept, or so solidly entrenched that it is obviously coasting and "taking no chances."

However, there have been enough cases involving able and aggressive management to cast doubt on the wisdom of accepting the proxy battle as an unfailing symptom of managerial weakness. In truth, it is extremely difficult to make such a judgment in some of the battles—the line of demarcation between realistic business conservatism and hidebound reaction is often unclear at the time of the actual contest. Final judgments as to who is right in a given contest may well have to be deferred until several years of operation prove or disprove the winning group's campaign promises.

Here lies one of the real problems of a proxy battle. Both sides will amass extensive "factual evidence" supporting their contentions. However, no amount of statistical material can ever fully explain *why* the company's operation proceeded as it did. Even in the absence of any false or misleading statements (which, unfortunately, are not often omitted), the reasons behind the statistical "facts" are tantalizingly indeterminate. Little wonder, then, that many

stockholders become confused and vacillating when faced with opposing interpretations of the same "fact."

2. *The opportunity to win must be present.*

The insurgents must be convinced that it is possible to obtain working control before they attempt a "takeover." The stock must be widely enough distributed (i.e., not closely held or strongly influenced by present management) to allow either outright purchase of majority control, or purchase of a large enough block of shares to provide a reasonable probability that enough independent shareholders will join the insurgents to help swing the tide. Often this independent vote is crucial to the election, enabling insurgents to win working control even though they hold considerably less than a majority of total voting stock outstanding. (On the other hand, management can and typically does hold control with considerably less than an actual majority of stock owned closely by the management group. One successful insurgent was quoted recently as asserting that "it's very tough to buy control in the market if the management controls 10 to 20 per cent. I don't go into any situation where the management owns as much as 10.")

3. *The stakes must be high enough to offer the winner adequate rewards.*

What motivates an insurgent group? An obvious answer would be financial gain. The opportunities here are often great. In many past proxy contests the market value of the stock has been well below a conservative book value—in some cases even below the value of the readily salable assets. (For example, Minneapolis-Moline Co., a farm machinery company subject to the equipment whims of the farmer, had a bad year in 1954; its common stock ranged from a low of $9.38 to a high of $25.25 over the 18 months beginning in January, 1954. But a conservative book value during the same period was a bit over $40.00; the estimated value of the quickly salable assets, alone, was $18.00. Result: a proxy fight, in this case settled by a joining of forces between management and insurgents.) In an expanding economy, with equipment replacement costs at a high level and opportunities for favorable mergers or selective sale of assets relatively scarce, chances are often nil that a takeover would leave a white elephant in the hands of the

insurgents. Moreover, there is often a reasonable probability that the price of the stock itself will rise when the news of the contest hits the markets. In 22 of the 28 contests in 1954, the market price rose after Wall Street learned of the battle. Some of these rises were striking. For example, Boston and Maine Railroad's common stock low in 1954 was $5.75; its high in 1955, the year the company went through a proxy contest, was $29.38. So it would seem that in a carefully chosen and planned contest, the insurgent can often anticipate rich rewards while risking little.

Why would stock be selling below its realizable value? An obvious possibility is that management has *allowed* the market value to decline—that the management is not earning a realistic return for the stockholder. In truth, however, low market value cannot always be attributed solely to management mistakes. A company might be in a declining industry (for example, some parts of the textile industry), or the industry and company might be temporarily depressed through some fortuitous circumstance beyond the control of either. In the latter case, a successful insurgent group can make a good showing and justify the higher market price that the contest would probably produce. On the other hand, temporarily jacking up the price of a stock in the face of a long-term decline in profit possibilities can do a real disservice to stock purchasers at the inflated price. Unfortunately, there is no automatic guide for differentiating between the two situations. Except in the most obvious cases at either extreme (and these are infrequent), most of the situations where a take-over operation results in higher stock prices cannot be realistically evaluated until months or years later.

The question of motivation, however, cannot be adequately answered in terms of economic rewards alone. Non-economic goals are always present, and in many of the current cases they appear to be fundamental. Control of a corporation carries with it a considerable amount of prestige and personal power; the desire to be the boss and to pull the strings of a complex organization is very compelling. In addition, the proxy contest often allows the insurgent group to play the role of "champion of the little guy" and advocate of "corporate democracy." This is often nothing but a camouflage for more direct economic motives—though there have been a number of examples where an insurgent group took on a

contest primarily to bail the small stockholder out of an untenable position.

METHODS AND ETHICS

In a proxy contest—involving, as it does, differing estimates of human action—the tactics of the two parties may run the gamut. In this connection, the following problems have aroused recent interest:

Who is behind the takeover?

Timing plays an important part in the proxy contest. Planning ahead for the annual meeting, each side attempts to time its campaign so as to reach the various stages at propitious moments. One key stage is when the proposed takeover becomes known to management, often catching it completely unaware. The opposition may have been quietly buying stock in the name of brokers and nominees for several months, and by the time of public announcement be well on its way. Since the stock is registered in the name of the broker or nominee and not the actual owner, the corporation's books may not disclose such a movement until late in the campaign. Frequently the percentage of broker-held stock is quite high during a contest; in the one-year period from March, 1954, to March, 1955, the number of broker-held shares in Montgomery Ward rose from slightly over 500,000 to over 1,100,000 (out of a total of just under 7 million shares outstanding). In the New York Central Railroad contest the broker-held stock polled almost 30 per cent of total shares voted.

The Securities and Exchange Commission has been concerned with this whole problem of insurgent identification. Under the Securities Exchange Act of 1934 the SEC is charged with the responsibility of seeing that "full disclosure" is made in all proxy solicitations of companies covered by the Act. Over the years it has required detailed disclosure of information by the actual candidates for directorships and their "associates." Up to the present, however, the SEC's definition of "associate" has been fairly narrow, and it has been obvious in certain cases that other participants not technically considered associates were participating in the contests.

New rules recently adopted by the SEC will, in the Commission's words, require disclosure by "any committee or group which

solicits proxies, any member of such committee or group, and any person whether or not named as a member, who, acting alone or with one or more other persons, directly or indirectly, takes the initiative in organizing, directing, or financing any such committee or group." This rule will inject the SEC much more deeply into the situation, for the determination of whether a person is involved in a campaign at a given stage (particularly early in the campaign) may be known only by the man himself.

The dilemma of the misleading statement.

SEC rules prohibit false or misleading statements by any group soliciting proxies. The Commission has faced many difficult decisions under this rule, for the rival statements are not only voluminous but also intended to sway readers emotionally. Innuendos and rhetorical questions without foundation are favorite devices of the sharp-shooting contestant; here are two typical examples:

- Can you name one worse managed company among comparable companies in the country?
- Isn't the principal executive of the company raiding the company's treasury with a blank check from a "yes-man" board which has given him freedom to spend any amount of the shareholders' money any way he pleases to try to keep from being unseated?

To enforce this rule, the Commission requires all written preproxy and proxy material to be cleared through its offices, and also takes the position that all oral statements are subject to the same proscriptions, although obviously they cannot be cleared in the same fashion as written statements. If the Commission feels that statements violate the rule, its personnel attempt to obtain correction through voluntary compliance. Failing this, the Commission may take its case to Federal courts for enforcement. Such a drastic step has been infrequently taken, although recent court action by the SEC in the 1955 Libby, McNeill and Libby insurgent attempt may herald increased use of the courts on the part of the Commission.

Recently, the Commission has made more specific the general rules in the area by expressly stating that certain common violations may be considered misleading and unlawful. (Examples: predictions as to specific business results based on mere conjecture; and material which, without foundation, impugns character or charges immoral conduct.) These rules raise new problems. Recent proxy contests have taken on the flavor of full-scale publicity campaigns.

Specific statements of fact can be proven or disproven, but insinuations are much more difficult to analyze. The danger of character assassination is ever present. A vicious campaign that neither side desires at the start can grow and develop into a full-scale mudslinging fight. It seems unlikely at present that the parties will voluntarily abstain from these practices, and increasingly stringent regulation by the SEC appears the only present solution. Some difficult questions lie under the surface here, though, for over-regulation could conceivably violate the concept of free speech. (This is a point that has upset many members of the press; a recent lead article in *Editor & Publisher* was headlined "New SEC Rule Would Impose Censorship on News and Ads.") An uncomfortable dilemma for the SEC!

Who pays for a proxy contest?

In the past, courts and stockholders have upheld management's right to charge expenses of proxy solicitations to the corporation. The general concept here has been that where matters of corporate welfare are at issue, the directors have not only the right but the duty to inform the stockholders of the issues. In turn, *successful* insurgents have also been able to collect reasonable campaign expenses from the company after they have won. Where the issues of the contest involve corporate policy and the expenses of the take-over group are reasonable, this would appear a logical extension of the principle applying to management expenses.

The real problems occur when (a) the insurgents are unsuccessful or (b) when the insurgents are successful, charge the corporation for their expenses, and then attempt to collect from displaced management the expenditures incurred by management in its losing cause. Up to the present, the courts have not allowed losing insurgents to bill the corporation for their expenditures, nor have they accepted the notion of insurgents recovering expenses from a losing management. Although there appears to be a difference between these two cases, the courts have not recognized the distinction. Even where management has been successful and has billed the corporation for what were undoubtedly its "reasonable expenditures," however, the losers may conceivably have had just as good a set of arguments on corporate policy, and may well have performed a service in bringing these issues to the fore. Under these

circumstances, it has been argued that the losing insurgent group should be able to bill its reasonable expenditures directly to the corporation, provided the insurgents' action in bringing about the contest could meet certain criteria of realism.

Beyond this, there is still the question of what is a reasonable *total* for expenditures incurred in a proxy contest. Recent contests have been accompanied by an attendant fanfare of expensive public relations and publicity devices. It cost the insurgents $1,308,733.71 to win the New York Central; the incumbent management added another $766,000. The total tab in the Montgomery Ward campaign was reputed to be over $1,200,000. Yet-untried techniques may run future costs even higher.

Some people have advocated that the courts or the SEC develop a "rule of reason" here, since obviously there is a point beyond which further expenditures add nothing to the body of facts to be given the stockholder. Certainly some proxy contests inure to the benefit of the stockholder through changes in policy and improvement of earnings. But it is conceivable that the proxy expenses alone might sometime overbalance these gains.

"DEMOCRACY" IN CORPORATE CONTROL

The issues involved in the proxy battles not only are troublesome in their own right but also serve to bring to the surface some rather basic questions on American business operations. The very notion of using a proxy to obtain a clear-cut expression of stockholder opinion is a revolutionary idea that would have been looked upon with a skeptical eye by the 19th century corporate owner. But the age of the tycoon has passed, and ownership and control are dispersed. Thus, in recent years fear has been widespread that the small stockholder was being disenfranchised and that certain "inside" interests were exerting too strong an influence on corporate policies. The interlocking directorate, the voting trust, and many other corporate devices of long standing have been decried by reform groups. On first blush, therefore, the current revitalization of stockholder interest would seem extremely healthful.

Unfortunately, a lot of a good thing is not always better than a little bit.

The stockholder is the owner of the business, and in a *legal* sense has final authority on corporation decisions. From an *operating*

standpoint, however, the locus of power resides in the board and its operating managers. The prospect of a large American corporation functioning full time on a New England town-meeting basis is not a palatable one. Rather, what is needed is a system that will adequately represent the stockholders' interests while at the same time permitting efficiency of operation and, more importantly, the ability to take a long-range view.

The crux of the matter of stockholder participation really lies in the basic motivations of the shareholder himself. Some look upon ownership primarily as a share of stock to be traded at the best time; others look upon ownership in its real sense as a share in a going concern. The attitudes of most stockholders are probably somewhere in between; but these two extremes do point up a crucial difficulty in management-stockholder relations. If the corporation is to operate successfully in the long run as well as in the immediate year, it must base many of its decisions on long-term considerations. When the stockholder emphasizes the short run, management must still attempt to protect the future of the company.

But to the extent that the proxy battle typically emphasizes the narrower, short-run interest, management may be strongly tempted to adopt in defense a short-run policy that is inimical to the long-term interests of the firm but will win votes in the contest.

There is also a danger in the other extreme. Concern for the future is not fully synonomous with conservatism. Management is not a trustee of the stockholders' funds in the same sense as a fiduciary trustee—i.e., management's responsibility is not merely to conserve the assets, but also to make the most fruitful use of the funds over both the short and the long run. Too frequently managements are guilty of the complaint voiced by a north country trapper and small stockholder: "When times are bad, you say you can't pay me a dividend 'cause you don't have any dough; when times are good, you say you can't pay me a dividend 'cause you need the money to make the company better. Now what I want to know is, when the hell do I get a dividend?"

So, the answer to the question of how much stockholder participation is desirable depends on how this participation is channeled. If the stockholder knows little of the company and the company objectives, and operates from a selfish motive alone, increased par-

ticipation can cause serious conflicts. Carried to its extreme, it could undercut any attempts by management to plan for the future. If, on the other hand, the stockholder is intelligent and informed, and recognizes the long-term needs of the company as part of his personal objectives, his participation in corporate affairs will serve to keep management on its toes.

Recent proxy battles have been a symptom of a resurgence of stockholder activity in company affairs. If this renewed interest can be channeled toward building increased strength into the American economy, the disturbing features of the proxy contest itself will be outweighed. But whether the proxy battles that are brewing today will build this increased strength, only time will tell.

The Executive's Dilemmas

IF HE'S LATE for work in the morning, he's taking advantage of his position.
If he gets in on time, he's an eager beaver.

If the office is running smoothly, he's a dictator.
If it's not, he's a poor administrator.

If he holds regular staff meetings, he's in desperate need of ideas.
If he doesn't, he doesn't appreciate the value of teamwork.

If he spends a lot of time with the boss, he's a back-slapper.
If he doesn't, he's on his way out.

If he goes to conventions, he's on the gravy train.
If he doesn't, he's not important.

If he tries to get more personnel, he's an empire builder.
If he doesn't, he's a slave driver.

If he's friendly with the office personnel, he's a politician.
If he keeps to himself, he's a snob.

If he makes decisions quickly, he's arbitrary.
If he doesn't, he can't make up his mind.

If he works on a day-to-day basis, he lacks foresight.
If he plans ahead, he's a dreamer.

If he tries to cut red tape, he has no regard for system.
If he insists on going through channels, he's a bureaucrat at heart.

—Robert S. Herman in Public Administration *Vol. XVI No. 4*

ONE COOL JUDGMENT is worth a thousand hasty counsels.

—WOODROW WILSON

Notes on Office Inertia

Verse by Richard Armour

Desk Job

My desk is always neat and clean;
No item out of place is seen
Nor dust in corners lurking.
I tidy up my desk each day
Ten times at least—it is the way
I keep myself from working.

Observation of an Office Worker

Insomnia, a dreaded blight,
Might well become a boon
If it could be transferred from night
To afternoon.

Turnover is an ugly word to any sales executive. It's not easy nowadays to build up a knowledgeable, hard-hitting sales team. Once you've done it, there's good reason to think about ways of improving your salesmen's security, status, and loyalty. Many managements have been doing just that—and the results are beginning to show . . .

New Look in Sales Management: Salesmen with a Fringe on Top

■ *Lydia Strong*

"WILLY LOMAN is dead," said a participant in a recent AMA marketing conference. The day has gone when a salesman could trade exclusively on a winning smile and a high-pressure personality, others at the conference explained. Today's salesman functions in a market where the customer can call the tune. And this market offers such a bewildering variety of competitive products that the customer—and especially the industrial buyer—must demand from the salesman a great deal of reliable, understandable information on the special merits of the product as related to the customer's operations. Often the salesman must in fact be a "sales engineer," competent to consult with prospects and customers on highly technical production problems.

At the same time advertising, publicity, product design, and even production have assumed an important auxiliary role in marketing. The salesman must function not as a prima donna but as a cooperative member of the marketing team.

All these changes have brought about corresponding changes in management's view of the salesman. He is seen less and less as a "lone wolf," more and more as a member of the organization. Though he tends to be more aggressive than others, he has the

TABLE 1

SUMMARY OF FRINGE BENEFITS FOR SALESMEN AND OTHER EMPLOYEES
(178 firms)

	Number replying	*For plant employees*	*For office employees*	*For salesmen*
Pension plan	153	141	149	147
Hospital, medical, and/ or surgical insurance.	173	164	169	168
Life insurance	174	158	167	172
Paid vacations	178	169	174	165
Paid sick leave	164	115	156	156
Across-the-board profit-sharing (not sales incentive) plan	50	38	43	37
Christmas bonus	70	56	65	47
Severance pay	109	69	97	96

same needs for status, for security, and for some feeling of identification with the firm he serves.

Sales management has been actively cultivating this new salesman. It has tried to bring him ever closer to the company by a variety of devices: salary combinations replacing commissions; more sales helps; greater emphasis on orientation and training.

One recent and important change has been the rapid extension of fringe benefits promoting his health, welfare, and security.

At the midwinter Marketing Conference of the American Management Association three months ago, participants were asked whether, and to what extent, salesmen in their firms were covered by supplementary benefits. Replies were received from executives representing 178 businesses, employing from 75 to 275,000 persons, and producing a wide range of products for both industrial and consumer markets; some finance and service firms were also among the respondents.

The overwhelming majority reported that salesmen do participate in fringe benefits, on much the same basis as other white-collar employees. (Table 1.) Salesmen received pensions, for example, in 147 of the reporting companies, or 82.6 per cent—a tremendous advance from the 48.6 per cent of companies reporting pensions for salesmen in a 1952 study by National Sales Executives.

This advance must be seen against the background of a general swing to employee benefits. In 1929 less than half a billion dollars

was spent for fringes; last year's bill, according to Babson's Business Service, exceeded $11 billion. Many businesses are today spending 12 to 20 per cent of their total payrolls on employee pensions, insurance, vacations, and holidays; moreover, new wage agreements increasingly provide for new or more liberal supplements.

Until very recently, however, salesmen were slighted. In the 1952 NSE study mentioned, fewer than half the reporting firms had pension plans for their salesmen. A 1948-49 study by the same organization showed only 43 per cent of the firms offering salesmen a real pension program, though another 5 per cent had "informal discretionary" pensions.

Why were salesmen left out? Reasons given included inability to finance a suitable plan; the feeling that salesmen were independent contractors or "special" employees; the belief that salesmen's earnings were so high as to make security provisions unnecessary; lack of interest on the part of salesmen; high turnover; and the belief of a few companies that security would undermine the desired "go-getter" psychology.

Such reasoning figured much less conspicuously in the present survey, since the vast majority of respondents did include salesmen in fringe benefits. Seven who did not said the men were well enough paid to buy their own benefits, and four considered them independent contractors. Nobody pleaded poverty and nobody said fringe benefits would reduce productivity—in fact, some sales managers felt that security gave their men the "spirit and hustle" needed to produce more sales.

Lest the reader draw too general conclusions concerning the status of salesmen nationally, it should be pointed out that the AMA sample (like samples in previous surveys) was drawn from firms probably more progressive than the average, and interested enough in fringe benefits to fill out a questionnaire. Also, 90 per cent of the AMA sample are manufacturing companies. But this does not nullify the advance recorded. In the 1952 NSE survey, less than 55 per cent of the companies in the manufacturing segment provided pension plans for their salesmen.

In the AMA survey, as in previous studies, a relationship can be seen between type of compensation and pension coverage. (Table 2.) Companies paying their salesmen straight commission rank

TABLE 2

METHOD OF COMPENSATION RELATED TO PENSION PLAN

Method of compensation	*No.*	*% of all plans*	*No. with pension plan*	*% with pension plan*
Commission	19	10.7	11	57.8
Straight salary	41	23.0	30	73.1
Salary & commission ..	43	24.2	38	88.3
Salary & bonus	63	35.4	56	88.8
Other (total):	11	6.2	11	100.0
salary & incentive 6				
salary & profit sharing 2				
salary, commission, and bonus 3				
Plan not stated	1	.5	1	100.0
TOTAL (all plans) .	178	100.0	147	82.6

lowest in proportion having pension plans (58 per cent); but even this figure is far ahead of the 33 per cent of such firms reporting pensions in the NSE study four years ago. The highest concentration of pensions, 100 per cent, is found among the 11 firms paying either salary plus incentive; salary, bonus, and commission combined; or salary plus a share in profits; the average among firms with all types of salary plans is 85.4 per cent.

DO PENSIONS CUT TURNOVER?

Do pensions help to reduce turnover? In the AMA survey, 99 firms said yes, 27 said no. A number of others reported, significantly, that their plans were too new to show results. Turnover is a major question for sales managers; according to one recent study[1] the average cost of losing a salesman is $6,684, invested in recruitment, selection, and training, plus incalculable costs for lost orders and damaged customer relationships.

The optimism of the majority on turnover seems to be confirmed by their experience. Over two-thirds of the firms having pensions report a turnover rate of less than 10 per cent; only slightly over half of those without pensions do as well. The high-turnover group (20 per cent or more) includes 3.5 per cent of the firms with pensions, 13.6 per cent of those without.

[1] Mandell, Milton M., *A Company Guide to the Selection of Salesmen.* American Management Association, New York, 1955.

There appears to be a quality factor too: several sales managers indicated that pensions reduce turnover particularly among older, more valuable men.

Queried on length of service required for pension eligibility, companies gave answers ranging from zero to 30 years. More than 80 per cent, however, required five years or less; more than half, three years or less.

Both on pensions and on fringe benefits in general, salesmen are currently doing better than plant employees, about as well as office employees, in the companies surveyed.

The vast majority participate in hospital, medical, and/or surgical insurance; life insurance (more firms make this available for salesmen than for other employees); paid vacations (given by practically all except straight commission firms, and even by some of those); and paid sick leave. Over half the firms give severance pay. Christmas bonuses and profit-sharing plans have been set up by substantial minorities.

So far as comparisons can be made, these benefits represent notable advances. The 96.6 per cent of firms in the AMA sample having life insurance plans for salesmen compares with 72.4 in the NSE 1952 survey. Over 92 per cent give paid vacations, compared with 73 per cent four years ago. Paid sick leave, reported by 87.6 per cent in this survey, was granted by only 52.7 per cent of the firms surveyed in 1952.

Additional benefits are being considered by one-eighth of the companies. Some are reviewing and enlarging their entire fringe programs. Others mention such specifics as new or increased insurance, pension plans, paid vacations, stock ownership plans, tuition refunds, profit sharing, Christmas bonus, and personal use of company cars.

Opportunities for training designed to develop executive abilities are offered salesmen in 84, or less than half, of the firms surveyed. Unquestionably the sales force deserves to be thought of as a field for executive recruitment—many a company president started in sales. In too many firms, though, the man with executive ambitions must still get his training, if any, on his own.

Fringe benefits are expensive. Average cost per employee, the U.S. Chamber of Commerce has estimated, is $720; for salesmen,

with their higher than average earnings and consequent need for higher pensions and insurance, it is likely to run above that figure. Nevertheless a majority, 131 companies, felt this expenditure has been worth while. Three firms said no, two were doubtful. (One company was disappointed in the effect on turnover, another found its pension plan "must be sold to each salesman, each year," and a third said that bonus or commission payments are "much more successful.")

WHY INCLUDE SALESMEN?

Companies were asked for their general comment on the desirability of including salesmen in fringe benefits. Over 200 comments were given, of which the vast majority were reasons for and advantages of including salesmen in fringe benefits. A few dealt with specific considerations in setting up benefits, and three were anti-fringe.

A simple sense of obligation was the reason most vigorously and frequently (65 times) cited.

"Salesmen get sick, die, take vacations. In this way they don't differ from any other employee," a printing sales manager pointed out. "We have never been able to figure why they *should not* be included," said a ceramics manufacturer. Some felt salesmen deserve more than average consideration: "As the most valuable men in the business, they should be included," or "They are the ones who make all other jobs possible." But the observation of a marketing service manager, "They're part of the family," was more typical.

Next in importance to fairness was the factor of morale, loyalty, and "team spirit," mentioned by 44 companies. The sales manager of a photo equipment firm said:

"Fringe benefits create an environment in which a salesman wants to give more than just his time to his company. He wants to help. It has made them more company-minded than a large salary increase would have done."

The belief that salesmen especially need emotional support was reflected in such statements as: ". . . helps to overcome the usual feeling of loneliness" and "Salesmen often feel left out. . . . They would be awfully hard to live with if they did not participate in fringe benefits."

Reduction of departmental "fences" or jealousies was a morale factor mentioned by several firms. Another such factor was the desire to win loyalty "not only from salesmen but also their families."

Fringe benefits aid the salesman by enhancing his security, said 20 firms. Six tied security to sales; typical of this group was the comment of an industrial machinery producer: "Fringe benefits have made our salesmen more secure and more productive."

Though 99 companies had said in answer to an earlier question that pensions help reduce turnover, only 15 gave this as a specific reason for setting up fringe benefits. Those who did were emphatic. Several called benefits a "must"; one oil refiner reported that a supplementary benefit plan installed 15 years earlier, plus fair salaries and bonuses, had "eliminated completely the salesman turnover." A lamp manufacturer said benefits influence only older men, but a cosmetics firm declared: "We should give salesmen any of the company's fringe benefits in order to give them the feeling of belonging, especially in the first year or two."

Turnover is one facet of the manpower problem. Another facet is recruitment. Many firms implied, and six said explicitly, that they use benefits to attract good men. Several agreed with a Canadian manufacturer: "It is impossible to hire salesmen without offering fringe benefits." Concomitantly, firms that seek by scientific selection methods[2] to hire more efficient and stable applicants tend to safeguard their investment by offering fringe benefits to hold the men.

Fringes form part of the union agreement in four firms. Three see the pension plan as a way to give additional compensation at a saving—both because it is tax-free and because it can be bought at a reduced group rate. Two firms consider administrative convenience as a reason for including salesmen in all employee benefits.

Fringes are either more appropriate or more feasible for salaried than for commission men, a few firms said. Others felt that the amount of the benefit should be tied to performance, as an additional sales incentive.

Twenty respondents gave blanket endorsements like "highly desirable" or "it's a must."

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[2] *Op. cit.*

Most of the principal advantages attributed to fringe benefits—higher morale, lower turnover, recruitment of better men—correspond to advantages seen by many companies in the 1952 NSE study. But one advantage cited by 24 companies in that study did not get a single mention this year: easier retirement of over-age salesmen. It may be that companies are less anxious to retire salesmen than they were four years ago.

A GOOD MAN IS HARD TO FIND

Such a surmise is strengthened by the clamor for recruitment. National Sales Executives has estimated that a million new salesmen are needed to help distribute our growing national product; but, according to a *Nation's Business* article, "Business is having a bad time finding a fraction of these." *Sales Management*'s editors have sounded alarms over an oncoming "famine in sales manpower." W. W. Wachtel, president of Calvert Distilleries, said recently not only that our present salesforce is "grossly inadequate" but that the supply is shrinking. Twenty years from now, he predicts, "Good salesmen will be like diamonds and twice as scarce."

Though we are producing more products, in greater variety, than ever before, though both industrial and individual consumers buy eagerly and have more money with which to buy—in other words, though we have the greatest market in world history—sales careers seem to have relatively low appeal for tomorrow's salesmen. College seniors show less interest in selling than in other jobs with lower earnings potential; even a group of high school students, quizzed by a management consultant, seemed to look on sales only as a field to fall back on if one failed elsewhere. Middle-class mothers surveyed by *Fortune* a few years ago rejected selling careers for their sons because (1) they felt that "the salesman doesn't do anything really worth while" and (2) even though earnings might be high, they associated selling with insecurity.

The first assumption is of course untrue. Regardless of the evils of high-pressure selling or selling of worthless or overpriced products, the salesman is today the "indispensable man" who must keep the economy going by distributing an ever-increasing volume of goods and services. His job is not likely to be superseded, or even adequately filled. As Peter F. Drucker has put it:

"There is little doubt that for a long time to come—probably forever—it will take people to sell goods and services and it will take selling to make the customer buy."

It is true, however, that in the past and even today this "indispensable man" is often forced to take more than his share of the risks of industry. Companies which would not think of asking the builder, the supplier, the office or production worker to string along on a percentage of sales, have sent salesmen into the field without training or backing, and without any financial safeguards or guarantees. Today, the tide is turning. AMA's fringe benefits survey is just one of the indicators which show that, in manufacturing firms at least, the salesman is now on his way to greater recognition and reward.

Salvaging Alcoholics on the Payroll

MOST ALCOHOLICS in industry do not become acute cases and since they are often key people, some companies have found that it pays to put time and effort into trying to salvage them and keep them on the job. At the seventh annual conference of the Boston Committee on Alcoholism, speakers representing several local companies described their efforts in the field.

General Electric Co.'s Lynn (Mass.) plant, for example, has set up an in-plant program for the problem drinkers among its 13,000 employees. GE started things off by sending personnel people and foremen to Boston University's special evening courses on alcoholism. Then it urged foremen not to cover up for any chronically hung-over workers but to give them some positive help by referring them to the company's alcoholism program.

GE's problem drinkers are sent to the Boston Committee on Alcoholism clinic, where psychiatrists, psychologists, family advisers, and vocational counselors are available.

The committee holds weekly private consultations with problem drinkers and conducts group therapy. Of 13 employees referred to the committee in the first nine months of the program, GE reports complete recovery for all but one.

Monsanto Chemical Co., which also has a local plant, began working with the committee three years ago. It reports a record of 100 per cent recovery for workers referred to the clinic.

—Business Week

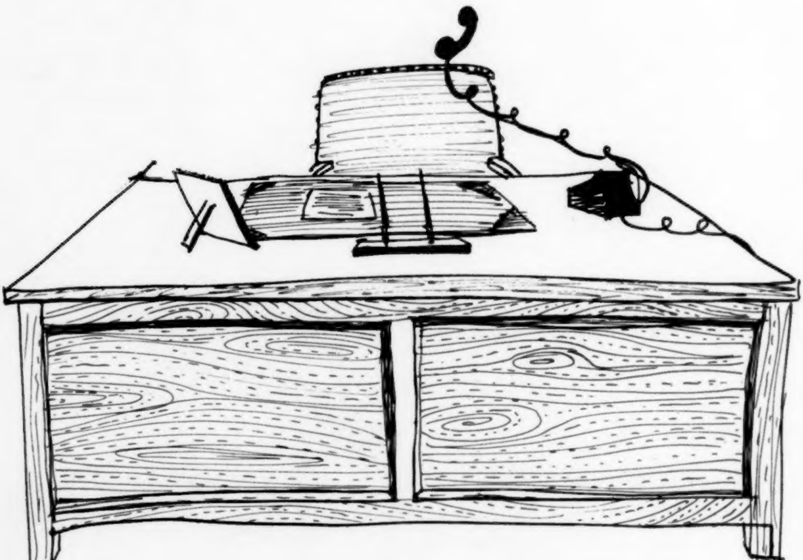
Management Menagerie

Every man, as Frederick the Great once said, has a wild animal within him—and every organization has its collection of animals: wild or tame, ferocious or timid, cunning or stupid, benevolent or malign. They graze in the File Department, and rage in the office of the Chairman of the Board. Here, for the convenience of management, is a field guide to some of the more widely distributed species.

Behemoth. You remember the Depression? *He* remembers the Panic of '88, the Ice Age, and the Flood. Has long, flexible proboscis for dousing ambition with the cold water of precedent, and large heavy feet for treading on new projects.

Gazelle. His plans gracefully overleap earthly obstacles. If you would follow, rent a helicopter.

Giraffe. Distinguished by his long neck and meddlesome disposition. His customary opener: "Couldn't help noticing your report—may I make a few suggestions?"

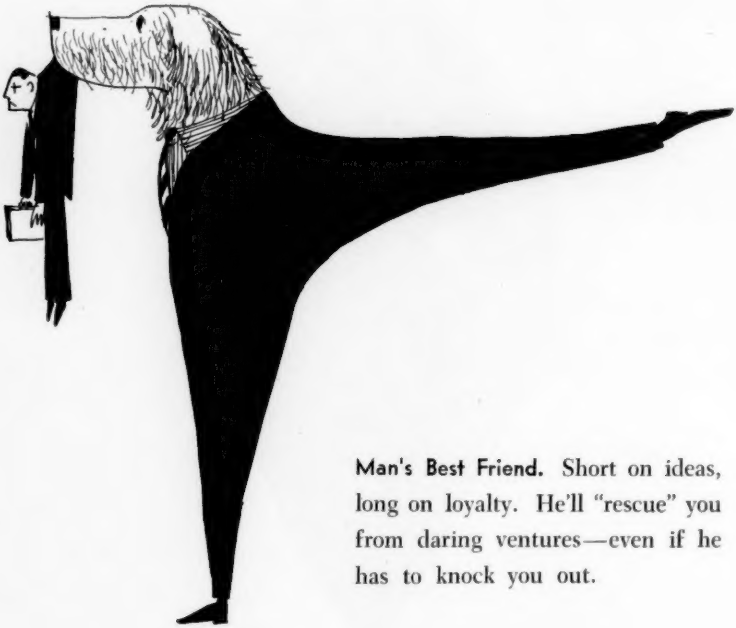


Chameleon. The ultimate in adjustment; politician par excellence. Blends into his background so perfectly that at times he hardly seems to be there.

Fiddler Crab. At home in the placid shoal waters off the Picayunes, he snaps and clicks happily at minutiae, retreats into his shell when his routine is disturbed.

Penguin. Equipped with a boiled shirt and an appropriate platitude for every occasion, he lives in mortal fear of violating the smallest protocol. Meets emergencies with pompous but ineffectual flipper-flapping.

Magpie. Your plan for the National Breadbox merger has gone astray? Search this collectomaniac's file system—he's got it stowed away under S for Sustenance.



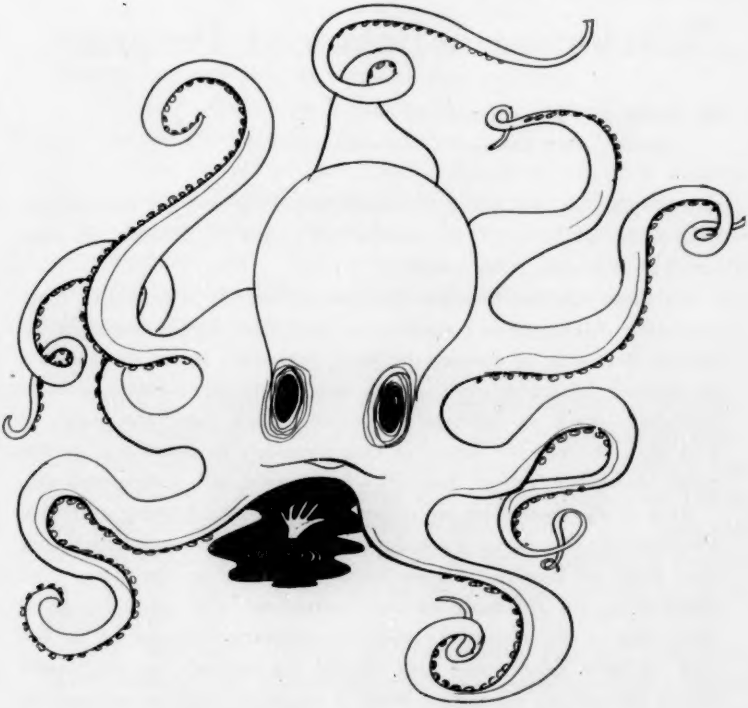
Man's Best Friend. Short on ideas, long on loyalty. He'll "rescue" you from daring ventures—even if he has to knock you out.

Termite. This underground operator nibbles quietly away at your contacts, credits, and responsibilities. One fine day, your job falls in.

Assistant termite. A termite who is your assistant.

Broadtailed Beaver. This creature of instinct must build his dam, even if it's in the middle of your order department and valuable accounts are being borne away on the flood.

Cuckoo. Like his prototype, which lays its eggs in other birds' nests, this individual gets other people to hatch out his plans. When and if they fly, he promptly steps in and grabs the credit.



Octopus. Ask his advice, and he takes you over in a suffocating embrace. Oppose him, and he drowns you in a sea of ink.

■ *Text by* LYDIA STRONG
■ *Drawings by* IRWIN GLUSKER

How to provide adequate and equitable pay for the management group is a problem that few companies have solved to their complete satisfaction. Here, drawn from top-management experience, is practical guidance on the basic questions involved . . .

Executive Compensation: Developing a Balanced Program

■ *Dean H. Rosensteel*
Director, AMA Executive Compensation Service

RECENTLY a purchasing executive passed up one job with an annual salary of $18,000 for another at $16,000. Reason: In toto, the $16,000 job paid better.

To those who are familiar with over-all trends in executive compensation this is not so contradictory as it may appear, for salary—though it is still, of course, the most important factor in executive income—is by no means the only one. Many other forms of compensation—such as bonuses, incentives, stock purchase plans, as well as such indirect forms of compensation as insurance, retirement, and other "fringe" benefits—have come into widespread use.

As a result, those who are responsible for administering executive compensation programs are today faced with many problems other than those of keeping salaries competitive and at the same time maintaining an equitable internal structure. For example, what proportion of an executive's total compensation should be in the form of base salary, and how should the balance be distributed among the various alternative types of supplementary or extra-salary compensation? In the latter category, what are the special advantages of one type of plan as against another, and what is the ideal "mix" or balance where compensation takes forms other than base salary?

There are no hard and fast answers here, for obviously no two companies are alike and what would be a good program for one

organization would not necessarily be good for another. The size, age, industry, and economic status of a company are all important considerations. Further, the age, financial position, and even the individual interests and preferences of the individual executives have important bearings on the development of such a program.

Notwithstanding these differences, certain principles can be drawn from traditions, experiences, and practices, a study of which should be helpful when reviewing an existing program or when formulating a new one. For the purpose of this discussion, the subject can be divided into four parts as follows:

1. *General policies,* including the corporation's attitude and philosophies regarding its compensation problems.

2. *Salary administration,* having to do with the fixed amounts paid for satisfactory performance in given jobs.

3. *Extra compensation,* including bonus or incentive amounts paid for results, usually measured in corporations by profits.

4. *Supplementary compensation,* in the form of contributions to retirement plans, group insurance, stock purchase plans, and other indirect payments, usually classified for wage and salary employees as fringe benefits.

GENERAL POLICIES

Nearly all companies state in their written policies, or elsewhere, that they want their compensation policies and practices to attract and hold qualified personnel. Some interpret this to mean that salaries will be at least equal to the level paid by competitors. Others say that for satisfactory performance they want to pay some percentage, from 5 per cent to as high as 30 per cent above the average, to assure themselves of keeping an enterprising, enthusiastic group of managers.

Some companies believe in conservative salaries, admittedly below averages paid elsewhere for like responsibilities, but bolstered with liberal incentive pay policies which enable the company to pay well in profitable years but not be burdened with high fixed expenses in lean years.

How much must be added to basic income to provide a real incentive? There are wide differences of opinion. Expressed as a percentage of salary, a bonus of 5 to 10 per cent of base salary may be considered an adequate incentive in some industries, but

in others, and where larger amounts are involved, bonus payments may actually far overshadow base salary. Whether bonuses are paid in cash or stock, and in or near the year earned, or deferred, and who should be eligible are important considerations.

The type and amount of the retirement plan a company should provide, if any, and the kinds and amounts of group insurance are matters that involve policy decisions. The same is true of the various kinds of stock purchase plans available. Whether employees should contribute to these plans must be decided; and, if so, whether the contributions will be used to reduce the costs or to increase the potential benefits. And, finally, not the least consideration is what the management considers equitable and fair total compensation including all forms; and, in growing companies what can be afforded in the light of all other financial needs.

Thus there are many policy matters which should be thought out and put into writing before decisions are reached as to amounts and methods of compensating executives.

SALARIES

As a general rule, management does a good job of establishing salaries for individual positions. This conclusion is based on surveys of jobs covering the entire range from first-line supervisors and professional personnel up through administrative and executive personnel, to presidents and chairmen in literally thousands of companies over a long period of years. One qualification must be accepted, however: that the standard against which salaries are judged is what is actually being paid—the going rates—rather than what ideally should be paid.

By and large, surveys indicate that the salaries paid for comparable management jobs from one company to another show a rather considerable degree of uniformity. AMA surveys of comparable jobs at top- and middle-management levels show that up to 75 per cent of actual salaries paid fall within a range that has a maximum no greater than 50 per cent more than the minimum. For example, a survey might show that a given executive job in medium-sized manufacturing companies pays as much as $25,000 in one company at the high extreme and as little as $12,000 in another at the low extreme. However, in 75 per cent of the companies surveyed it will be found that the job pays from $14,000

to $21,000; that is, the majority of jobs are clustered at a medium range, the top of which is approximately 50 per cent higher than the bottom. This relationship has been consistently borne out in AMA wage surveys covering all types of executive jobs.

There are exceptions to this for certain classes of occupations, notably selling jobs, where the relative values of responsibilities and measures of performance have not been so well established as for other occupations, but for most jobs this relationship has held true. Despite the fact that salaries are not so widely different from company to company as is generally assumed, there are three good reasons for managements to give continuing attention to their salary structures. The first and most obvious one is that salary levels are not static but are constantly changing. The second is a matter of the bad apple. Most salaries in a company might be in line with what would normally be considered fair and equitable, but several inequities might demoralize an entire organization. The third reason is that these situations cannot come to light and be corrected unless management has current facts about salaries.

It is beyond the scope of this article to explore just how equitable salaries should be established. Suffice it to say that both internal and external relationships must be considered. External relationships can be determined only by knowing what other organizations are paying for similar responsibilities, or, in other words, by making and using surveys. With all the weakness or objections that can be attributed to surveys of middle- and upper-level jobs, there is abundant evidence that, properly interpreted and applied, they can be sound guides for management decisions.

As to internal relationships, some form of evaluation must be used. In a small company, the personal knowledge and judgment of the president may be adequate. Where somewhere up to 50 jobs are involved, a group of officers may, by simple ranking and classification, establish rates that are relatively right. Where the numbers run into hundreds, or larger, some systematic plan for evaluation is practically a necessity.

This is not meant to imply that systematic evaluation is not desirable for smaller numbers of jobs. Some company presidents with as few as five or six key officers have used factor-comparison or other methods to help them establish and support proper internal

relationships. An oversimplified explanation of these evaluation systems would be that they provide sound and rational reasoning for making decisions that must be made and cause them to be set down in writing so that they can be recorded, understood, and explained.

The important point, in talking about a balanced compensation program, is that salaries, in one way or another, serve as the base for all other forms of compensations, or the foundation, so to speak, on which the program is built.

INCENTIVE COMPENSATION

The term "incentive" is used instead of "bonus" because, strictly speaking, a bonus is a gift over and above what is considered to have been earned. Today most companies with these plans look upon them not as gifts but as payments for unusual or outstanding performance. Neither are they considered profit-sharing plans. True, incentive plans for management are generally based on profits because profit is one clear-cut measure of success. If earned by exceptional performance of executives, either as individuals or as a group, however, they are a compensation cost that has produced returns for the company and are deducted in the income and expense statement before profit is calculated.

Since their introduction in the United States about 1910, the popularity of incentive plans has increased and waned with general economic conditions. When control began to pass from owner-management to professional management, salaries were the only form of compensation in general use. Owners soon learned that managers would do better jobs, however, if, like owners, their income would rise or fall depending on how well they did their jobs. Thus the beginning of the present management incentive systems. Most of these plans were dropped or became inactive during the depression of the early thirties, but since that time there has been steady growth in their use until in 1954-55—the period covered by AMA's last Executive Compensation Survey—about 45 per cent of the more than 3,000 participating companies reported their use.

It is because of their widespread use that, for competitive reasons alone, companies should study them in connection with a balanced compensation program. But to present both sides of what might be an argument, the following list of expressed advantages and disad-

vantages is quoted from one of the AMA Executive Compensation Service Reports on the subject:

Advantages

1. Relating a portion of compensation directly to performance provides an important incentive for increased individual effort.
2. Incentive compensation based on company, division, or branch results promotes teamwork.
3. Compensation based on effort and results instills a sense of ownership and corresponding interest.
4. Compensation related to results contributes to high morale and effectiveness of management.
5. Fixed charges for compensation can be kept at a lower level and adjustments with business trends can be made more readily with an incentive plan than if the total compensation were paid in salaries.
6. Advantages to individuals and management as a group accrue to the stockholders through higher returns on investment.

Disadvantages

1. It is difficult and in some cases impossible to measure individual contribution to company performance.
2. Plans have operated in such a manner as to become automatic, with payments expected, and to this extent are not true incentives.
3. It is difficult to administer an incentive plan without discrimination. Exclusion of certain employees and reduction or elimination of payments contribute to poor morale.
4. Stockholder and public reaction has in some cases been critical of the use of incentive compensation plans.
5. Incentive compensation cannot be paid during periods of low profits when executives must exert their greatest efforts.
6. An executive working under a fixed formula incentive plan is tempted to concentrate on short-term gains and ignore the long-range interest of the company.

While a number of factors, or variables, must be considered in the development of an effective incentive plan, among the most important are: (1) the source and amount of the fund, (2) the allocation to individuals, (3) the time and method of payment.

While about one-third of these plans in use today are completely discretionary as to both the funds and payments, more than two-thirds base the amount available on profit formulas. The trend has been toward profits before taxes so that changes in tax laws will have no effect, and almost uniformly a fair return on capital invested is set aside before any amount is available for incentive payments. Ten per cent of profits, after a 6 per cent return on invested capital, would be typical, although in the final analysis, within reasonable limits, the formula should provide an amount that will serve continuously as effective incentives for the participants.

Which raises the next policy question: Who should participate and what amount will provide an effective incentive for each?

History shows that most incentive plans had modest beginnings. Many plans first included only those few executives at the top who had a direct and measurable influence on the company's profit performance, and the amounts paid were modest. As companies grew, the number of participants was expanded and the amounts became more sizable.

Current surveys show that about 20 per cent of such plans in use today include the top officers and key executives only. About 40 per cent of the plans include all supervisory personnel down through foremen. The remainder of the plans include varying levels of executive personnel between these two limits.

The *average* of payments under these plans in recent years ranges from 15 to 20 per cent for middle management up to 40 to 50 per cent for top management positions. Included in these averages are widely dispersed amounts which, expressed as a percentage of salary, range from perhaps 5 per cent of salary at the low end to several times salary for the largest amounts. These figures are from plans many of which have been in effect over long periods of years and reflect philosophies that have existed for a long time.

Most of the plans that have been developed in recent years recognize that there is some amount, usually not less than 10 per cent of salary, below which extra compensation will not produce extra effort; and that there is some maximum amount in relation to salary (in most cases the maximum is 50 per cent), that will pay off in extra effort. Newer plans which introduce these limitations will usually, therefore, provide that payments will range between 10 and 50 per cent of salary.

It has also been reasoned that too great a proportion of a man's income should not be dependent on extra compensation because of the hardship that could be caused in years when the incentive compensation fund was very small or non-existent.

SUPPLEMENTARY COMPENSATION

After having established equitable salary structures, and given thorough consideration to incentive plans, management's next step

in reviewing its compensation program is to consider supplementary forms of compensation.

Adequate group insurance should receive early consideration—and does; nearly all companies provide it. There are probably three reasons for this. The first is the widely accepted sense of responsibility an employer has for the employee in case of sickness or death; the second is the inherent economy in group plans; and the third is that adequate coverage can be provided on a group basis at nominal costs.

A good group insurance program in light of today's experience would probably include life insurance of face value equal to two years' salary; accidental death and dismemberment insurance in the same amount; hospitalization benefits providing for the cost of a semi-private room for one to three months; surgical insurance with a maximum benefit of $300; and medical expense benefits paying the doctor $4 to $5 per visit per day up to a stated maximum number of visits—usually about 50.

In addition, the movement toward providing insurance for major medical expense has been rapid, and companies that already have such plans report favorable experience with them. Primarily, major medical expense coverage—or catastrophe insurance, as it is popularly called—takes over where the traditional group health insurance coverages leave off. It does this in two ways: First, it may pay for items that are not covered at all by basic group health insurance, such as nursing care, ambulance and sanitarium costs, special drugs and other charges; second, it may pay a major part of the excess of all charges over a certain amount.

Briefly, this is how it is applied. Let us say that an employee or one of his dependents is hospitalized for four months in connection with a major operation requiring transfusions, special nursing care, and constant medical attention. The total bill is $6,000. Under the basic group health insurance plan, perhaps $1,000 is paid. At this point, the patient must pay a certain amount in excess of this, ranging from $100 to $500; or, as some plans provide, an amount up to 5 per cent of salary, but not exceeding $500. The balance of the bill is subject to the major medical insurance, which provides that 75 or 80 per cent of the costs will be paid by the insurance company—with some expressed dollar limitation such as $5,000.

Thus, in the case at hand, if the first $1,000 were paid under the basic coverage, and there was a $200 deductible, 75 per cent of the remaining $4,800 (or $3,600) would be paid by the insurance company. In the final analysis, the patient pays only $1,400 of a $6,000 medical bill, and the insurance pays the rest—which is a very substantial tax-free benefit.

Some form of retirement program is the next most prevalent form of supplementary compensation. This may be in the form of a fixed-benefit pension plan or a profit-sharing retirement plan. As mentioned earlier, employees and executives may make contributions to increase the benefits or reduce the costs.

Some companies have basic pension plans paid for entirely by the company and supplemented by contributory plans. A few companies have both pension plans and profit-sharing retirement plans. By one or a combination of several methods, a program that will provide about 50 per cent of final salary could be considered favorably competitive in attracting and holding qualified personnel.

Incidentally, a fairly recent development in the administration of retirement programs, which has some bearing on benefits, is the investment of sufficient of the funds in equity stocks to offset the effect of inflation. Such plans pay part of the pension in a fixed number of dollars, and part in a fixed number of units in a common stock trust fund, the value of which changes with the value of the investments. This can be of great significance to employees since it increases the amount of pension payments when the pension dollar will buy less, and reduces the payments when prices are down. It should also help the employer by reducing the necessity for changing the provisions of the plans themselves to maintain an adequate level of retirement benefits.

DEFERRED PAYMENT CONTRACTS AND INCENTIVE PLANS

About 15 per cent of the publicly owned companies in the United States have some form of deferred compensation, other than their retirement plans. These serve several purposes. The incentive compensation plans used by a few of the larger companies, which distribute payments over four or five years, are primarily holding devices in that the unpaid compensation must

be "earned out." These also have the effect of leveling the income tax load.

A few companies offer deferred compensation contracts to individual executives who otherwise would not participate in retirement programs, or to supplement inadequate pension benefits. Most of these arrangements, however, are made with executives whose income exceeds their needs for current living requirements and where the tax benefits are materially helpful in building an estate. The minimum income above which these tax benefits are of value under present tax schedules is somewhere between $35,000 and $50,000 annually.

In short, deferred compensation plans serve special purposes and do not necessarily form part of a well-balanced compensation program.

STOCK PURCHASE PLANS

Somewhat like deferred compensation arrangements, stock purchase plans serve a purpose which differs from that of other forms of compensation. Their objectives and incentives are long-range. They involve the investment of the executive's own funds. The price advantage at the time of the offering, however, is small and in many plans there has been no original price advantage. While under current regulations the advantage of not risking funds for more than a six-month period is substantial, the real incentive lies in the long-range possibility of building the value of the stock, which benefits all stockholders.

The point here is that stock purchase plans, including the currently popular restricted stock option plans, may be used in individual cases where the advantages of all other forms of compensation have been exhausted, or serve as additional and different types of incentives for larger groups. This contention is borne out by the fact that nearly all companies on record with stock option plans have retirement programs, and the number with incentive plans is the same with or without stock purchase plans. Thus, it appears that the existence of other types of incentives has not been a factor in deciding whether or not a stock option plan should be adopted.

By and large, stock bonus plans in use today are essentially the same as the incentive compensation plans previously described,

but with stock as a form of payment. Such a plan has a special advantage to the corporation that would find cash payments a drain on working capital; and there is, of course, an advantage to the executives in the case of privately owned companies where the stock would not otherwise be available.

No space has been devoted here to executive participation in forms of incentive or benefit plans open to eligible groups of all employees, such as regular profit sharing plans, regular stock subscription plans, and thrift and savings plans. Undeniably, the benefits accruing to executives from such plans—especially where allotments are made on the basis of salary and length of service—can be important and substantial. The objectives of these plans, however, are primarily to provide incentives and benefits to all employees, rather than to executives as such.

CONCLUSION

How do companies establish their compensation standards and levels? Roughly, the methods followed in increasing numbers of companies can be reduced to the following general "formula": From surveys, the average number of executive positions found in a group of comparable companies is determined; and from the average compensation paid to individual positions the average aggregate paid to the group is established.

From this total amount is first deducted the cost of group insurance and a pension plan. The remainder of the fund is divided into thirds—two-thirds for salaries and one-third for incentive compensation payments. These amounts are then distributed among the individual positions in accordance with their relative importance and potential contribution to the success of the business.

Amounts so determined are then compared with survey information for individual salaries and amounts for bonus payments and, if necessary, adjustments are made in the aggregate amount to arrive at equitable and competitive rates. The amount included for incentive payments may rise or fall in succeeding years, depending on the company's performance, and salary amounts may be adjusted with the growth of the business and levels of pay.

Depending on the amounts involved and the interest of individ-

ual executives, consideration can then be given to the various forms of deferred compensation, and it can then be decided whether any part of the incentive payments should be in the form of stock.

Participation of executives in any pension, profit-sharing, or savings plan that has been adopted for employees generally is included in the calculations.

Finally, consideration is given to stock option or stock purchase plans, which do not require the same cash expenditures by the company as the other plans. These are considered as additional, long-range incentives.

Throughout these studies, the objectives of each type of compensation should be kept in mind. The opportunities for growth of the company and the growth potentials for individual positions should have an important bearing on the decisions which are made. In any event, no pains should be spared in working out a balanced plan which, in itself, can make an important contribution toward the development of the company as well as the financial progress of its key personnel.

"I trust you don't mind, Sir? Just a little celebration on the tenth anniversary of my last raise."

—Look 2/7/56

When things go unaccountably wrong in the employee relations area, inadequate or haphazard communications may be to blame. Here's a quick way of rating your own company's communications setup, avoiding slip-ups . .

Does Your Communications Program Measure Up?

THE FORWARD-LOOKING American company is an integrated, completely coordinated enterprise. It operates in a climate of free-flowing ideas. And it spends lavishly to make sure that its employees are fully informed about the problems, activities, and objectives of the organization. For intelligent management knows that swift, sure, and accurate communications are not only the heartbeat of sound industrial relations, but the hallmark of competitive success.

The communications expert is constantly seeking new and better ways to speed company information from department to department, from person to person. But, though he utilizes all types of mechanical media to help him do his job, he does not forget that while plant newspapers, newsletters, bulletin boards, and the like have their uses, communication is fundamentally face to face. It is only when reasonable, intelligent people have free access to each other that communication roadblocks disappear.

A COMMUNICATIONS CHECKLIST

One communications expert who does not lose sight of the basic objectives of the communications program in tripping over the gimmicks is Daniel Rochford, Advisor, Management-Employee Communication, Employee Relations Department of the Standard Oil Company (New Jersey). In an advisory bulletin on communications which he issued to the subsidiaries and departments of his company, he said: "Certain devices and techniques can aid management in keeping communications at a satisfactory level. While

most of us know and intend to practice the basic techniques which aid communication, almost all of us occasionally get too busy and omit or overlook something." To insure against such slip-ups, Mr. Rochford has developed a communications checklist whereby the Standard Oil executive can make certain that he is doing his communications job and doing it right. This checklist is an excellent example of sound communications thinking. It asks a number of highly pertinent questions, and the management man who is able to say "Yes" to all of them can rest assured that his own system is working smoothly.

So that you can play Mr. Rochford's game of 20 questions, we list them here:

1. *Organization Charts.* Does our top local organization chart adequately reflect working relationships among members of the group covered by it? Does the chart have adequate distribution?

Is there a supplementary breakdown so that charts right on through the organization enable practically everybody on the payroll to see his name on an organization chart?

2. *Personal Contacts.* To what extent does our top management get about the field, plant, and offices regularly and frequently to see and be seen?

3. *Staff Meetings.* Do the principal management groups, both line and staff, hold regular and frequent staff meetings at various levels at which full discussion of group work takes place?

Are the discussions of the top meetings regularly passed along for ideas and reactions of the lower meetings?

Is there both an "outgo" and a "return flow" of information, ideas, and suggestions?

4. *Staff Letter.* Do we supplement our staff meetings by issuing a frequent, brief, mimeographed summary of activities of the individuals in our management group and highlights on current group projects and problems?

5. *Informational Memos.* Do we prepare occasional informational memos for our superiors which reflect our own and our group's best thinking on current projects or problems or developments?

Are these circulated freely to members of our own group who may appreciate a chance to read them?

6. *Committees.* Is membership on special committees scattered sufficiently among members of our various work groups so that the individuals in our organization have a satisfactory feeling of participation?

Are the discussions and actions of the special committees passed along promptly and regularly for information and ideas, and for suggestions from others in the organization?

Are your committee meetings planned in advance so they do not waste people's time?

7. *Discussion Groups.* Are there regular, frequent, supervisory and non-supervisory discussion groups and forums (both "structured" and "unstructured") in which all our employees get a chance to participate?

8. *Employee Mass Meetings.* Can we and do we hold annual or semi-annual employee mass meetings where local top management appears face to face with employees?

9. *Training Programs.* Is the individual employee familiar with his opportunities to participate in organized training courses both on and off the job? Are these opportunities adequate?

10. *Orientation Programs.* Is there a continuing, year-after-year, organized, properly conducted, one- or two-day orientation program for new hires?

Is there a periodic reorientation program to familiarize regular employees with new equipment, new processes, and other important changes in organizational activities?

11. *Employee Publication.* Is our employee newspaper issued often enough for its contents to be fresh and newsy? Does it get promptly to all people on our payrolls?

Could it be better as to content? Does it carry photographs? If not, could it do so by using some other reproduction process? (For example, shift from a mimeographed paper to photo-offset, or include pages of photo-offset material with mimeographed news pages.)

Does our editor have *access* and *acceptance* at all needed levels: top management as well as rank and file? Does he have the right personality for his job?

Could our editor be doing a better job? Does he need clerical

help? Does he have too many non-editorial jobs? Would he be helped by outside professional suggestion or guidance? Do we pay enough to get the experience and ability we should have?

Is the paper helping management do its job through contribution to employee morale, information, and understanding?

If we have no local employee newspaper, why not? Cost? Staff? No need? How do we know?

12. *Union Communication.* If there are unions in the organization, are they doing a good job to keep management informed as to the real feelings of the rank and file as to negotiable matters?

Does our union have management "acceptance"?

What is our management doing to make sure that management information and management thinking are honestly reflected to employees through the union? What steps are being taken to help the union develop itself as an asset to good communication in the plant?

13. *Correspondence.* Are carbons of outgoing letters of group interest circulated promptly, regularly, and freely to members of our group?

14. *Circulars, Magazines, etc.* Does incoming printed matter of general interest become available promptly and regularly to individuals who should have access to it? Do we have an efficient system for circulating this material or does it clog itself up and lose the value of freshness?

15. *Bulletin Board.* Do we have a simple, fast system of using bulletin boards to get written or picture material before our people? Is this duty assigned specifically to an individual? Does it reward him for doing a good job?

16. *Social Relationships.* Do we have an organized program of employee and employee-family social activities? Does this program have adequate and effective management participation?

17. *Coin Your Ideas.* Is our suggestion system getting satisfactory participation from rank-and-file employees? Does it have adequate management support and recognition? Is it serving as a stimulus to employee morale?

18. *Family Visits.* Do we have an organized program which

permits wives and children of employees occasionally to visit plants and offices?

19. *Employee Attitude Surveys.* Do we make regular and adequate checks to see how our people feel about their work and things which affect their success and the company's prosperity?

Do I use these techniques on a regular basis to check my own and my group's activities?

20. Are there any other devices or techniques for improving management-employee communications that are worth adding to our program?

EVALUATING THE COMMUNICATIONS PROGRAM

One of the major problems of industrial relations is: How effectively does a program really operate? Many a plan looks good on paper. But frequently it's just as thin as the paper it's written on. One way to find out fast how well you are doing in any of your activities is to ask the people whom your program affects. Mr. Rochford has developed a simple system for evaluating the effectiveness of a company's communications program. All it entails is point-scoring the following questionnaire:

How good is the present state of communication in our group/company?

(a) Among individual members of our management and supervisory ranks?

(b) Among individuals on our payroll below supervisory rank?

(c) Between the individuals in our management and the individuals holding office in our union?

(d) Between our union management and its members?

(e) Between our local top management and the upper management we report to?

(f) How do I rate the present "outflow" of information from management in our organization to people of our rank and file?

(g) How do I rate the present "return flow" of reactions, ideas, and suggestions from our rank and file to our local top management?

(h) Everything considered, how do I rate the present general average level of communication among all people on our payroll?

Rate each lettered item according to the point score given below. If other people in your organization also fill out the rating sheet, keep the individual scorings anonymous. Add all the points given to each item and divide the total by the number of people voting on it. Count zero as a vote.

Point Score

Ideal—nearly perfect	4	Getting by, but not what we want	1
Good, thoroughly satisfactory	3	Bad	0
Adequate	2	No vote	—

When Silence Is Golden

THE NEXT TIME you find yourself confronted with a serious difference of opinion, try "sitting out" the controversy. Just sit and listen to all the arguments of the group or an individual. If you can become an active and absorbing listener, you may sometimes be able to dissolve the whole problem or dispute without saying a word!

Here is how it works for me: The proponent for some opposing view enters my office and proceeds to advance his views. I simply listen intently to everything he has to say. He continues to expound on his story until he expects me to introduce a counterargument, but I say nothing. Then I suppose he feels tempted to mention my side of the case or at least to refer to it in some way. And so he ventures into my viewpoint and finds himself talking about the things which I now do not have to mention. He believes he is doing a fine job—and so he is—until he finally concludes that there are perhaps two sides to the controversy after all. On a number of occasions I have seen situations completely solved, believe it or not, in just this way. I simply allowed the other fellow an opportunity to talk himself out of his own erroneous position.

We cannot always tell the other fellow what our story is—he will not believe us. But when he comes to that same realization by way of his own route and reasoning, he informs himself. In that respect an intelligent listener is actually a communicator, isn't he? Since it is natural for men to want to talk, I find that listening is one of the most valuable executive techniques I can use.

—Robert C. Hood (President, Ansul Chemical Co.) in an address before the California Personnel Management Association

MONEY AND MOTIVATION: ***An Analysis of Incentives in Industry.*** By William Foote Whyte *et al.* Harper & Brothers, New York, 1955. 268 pages. $4.00.

Reviewed by
*Bernard J. Muller-Thym**

Pay, the design of work, and worker productivity have been a central management concern since the days of Taylor, the Gilbreths, and the other founders of modern industrial management. Their achievements in analyzing jobs, simplifying and redesigning work, and devising financial incentives represented, in their time, a major break-through. Their work, coupled with later advances in technology and machine design, the development of managerial know-how, and the creation and distribution of wealth, made our industrial society possible.

For a generation after them, no significant advances were made in our knowledge of incentives and how they operate. Many people were conscious of the practical problems of applying and administering incentives and of integrating various kinds of incentive work with each other and with non-incentive work. But few identified, much less questioned, the assumptions behind the incentive approach. The first studies that showed that the productivity of workers is influenced by many factors other than compensation were not made until the years before World War II.

Though the majority of managers now accept the fact that workers cannot be regarded or handled mechanically, an even more compelling reason for a re-examination of this whole question of financial incentives is that we have probably reached the practical limits of what can be achieved under existing incentive systems. Moreover, apart from the fact that these systems are not even well adapted to industry today (as this book amply documents), they will present even greater problems in the age of automation and the guaranteed annual wage.

At this point, therefore, we need to make a new break-through—a departure that may be as significant as the one made by the pioneers in industrial management. To do this we must ask again, from a fresh and critical point of view: "What is work?" "What is pay?" "Why do we pay a man?"

In this book, William Foote Whyte has assembled much of what is known about plant incentive systems, with case studies, examples, and analyses. He presents a documented critique of the functioning of such systems (indeed, his own insights and commentaries may be the most valuable things in the book). Finally, he offers "a system for thinking on problems of human organization" which he believes will be helpful in exploring new approaches to money and motivation. This book, therefore, is a basic text which should be

* Management Consultant and Lecturer in Management at the Massachusetts Institute of Technology and Columbia University.

NOTE: Books on personnel administration and labor relations are regularly reviewed in the Association's bi-monthly, Personnel.

studied by every manager who is concerned with the productivity of men at work.

The purpose of the book is two-fold: (1) To challenge the assumptions inherent in the concept of "economic man," upon which most individual incentive systems are built; and (2) "To build a new model, socio-economic man to replace the discredited economic man who has held sway in the incentive systems most common in industry today"—i.e., to tie together economic incentives and the human relations pattern of people at work in a plant. Professor Whyte organizes his evidence by considering first, the relationships of individuals to the work group, then the relationships of groups to each other, and finally the total organizational framework ("organizational" means "social"). From this he proceeds to a generalized treatment of economic systems and human relations.

In Part I, he examines many cases of conflict with the time-study man, and describes the methods workers use to fool the rate setter, and the pressures of the group to make rate busters conform. While these facts are familiar to anyone who has ever worked in a plant, they merit restating, if only to show the dimensions of lost opportunity (Professor Whyte estimates that only one worker in 10 actually produces to his full capacity).

Part II is a study of cooperation and conflict between groups, the problems created for both union and management by the separation of day workers from incentive workers, and the problems that arise when other parts of a plant are not covered by a successful incentive system operating in one department.

Part III examines several cases of plant-wide incentives, most of them successful, and concludes with a fine, extended analysis of one application of the Scanlon Plan. This part is particularly valuable, since it goes well beyond simple analyses of motivation or participation to show how the particular structuring of the roles of workers, union, management, and technicians is a critical factor in the success of real group or plant-wide incentives. Managers who are interested in how to overcome resistance to change should read this section of the book carefully.

In Part IV, Professor Whyte gathers up these analyses and insights into a general theory of economic incentives and human relations. He elaborates on the now familiar concept of the factory as a social system to show that restriction of output occurs under some circumstances because it contributes to the stability of relations in the work group, and that incentives which destroy the equilibrium in a plant by changing relative economic status or work flow usually fail to motivate individuals well.

From the foregoing summary, it should be evident that *Money and Motivation* has a special kind of importance. So far as this reviewer knows, it is the first and only work to deal with the problem of factory incentives as a whole and to present the best thinking in this area that studies in human relations and the behavioral sciences have done to date. On the other hand, it is also important to recognize the limits within which Professor Whyte and his col-

leagues have done their work. In the first place, the discussion is confined to incentives for factory workers, and most typically workers who are unionized. A further study remains to be made of the effects of incentives on other groups, such as salesmen or managers.

Second, the discussion is almost wholly limited to incentives—for individuals or for groups, for subgroups, or for the total group. There is no exploration of the question whether some different approach to compensation might not be devised and related to the design of work.

Third, the observations and the generalizations are limited by a particular methodology. Pay is regarded exclusively as a symbol and a motivating force, which of course it is. But people are also paid for work—and this dimension of pay is not explored. The factory is viewed as a social system. So it is; but there is also a structure to work itself to which the social structures described in this book are but secondary. The controlling purpose is one of reconciliation—to enlarge the view of economic man to a view of socio-economic man and, with a larger knowledge of group behavior, to find a way of making incentives work better.

The book, therefore, fine and usable as it is, stands squarely and always within the field of the social sciences; its operating concepts belong there and not to the practice of management. Its orientation is social, not managerial; its insights and generalizations have not been related to that field of activity in which one must raise such questions as "What is a business?" "What is the character of the managerial task?" "What is the impact of work design or work structure upon the productivity of people?"

Nevertheless, these "limitations" must not be construed as adverse criticism. They define the extent of Professor Whyte's achievement and point the direction we must now take to advance our knowledge of what we pay a man for and how we may go about doing it better. The present work has been done so well that it is to be hoped Professor Whyte will go on to this next stage of research and discovery.

THE PSYCHOLOGY OF INDUSTRIAL CONFLICT. By Ross Stagner. John Wiley & Sons, Inc., New York, 1956. 550 pages. $8.00.

*Reviewed by Agnes Bogart**

Despite its promising title, Professor Stagner's book won't cure a grievance or stop a strike. It was not designed to do so. It is frankly written for advanced students in psychology and other social sciences, rather than for the industrial relations practitioner, and attempts (quite successfully) to build up a theoretical framework which is then applied to the industrial scene. Several valuable chapters on perception and motivation are followed by the application of the psychological principles in these two realms to management and union groups. This section is succeeded by a careful analysis of how

* Field Editor, *Employee Relations Bulletin* (National Foremen's Institute, Inc.).

the divergent interests (perceptions, motivations, and goals) of management and labor can be accommodated to keep conflict at a minimum. The book is studded with references to industrial studies from the Hawthorne experiments on.

Professor Stagner makes clear in his preface that he has not ventured to recommend policy changes for management or unions and that in many instances he is proposing new formulations of old problems. Thus, personnel and industrial relations men who undertake to read this study will detect many examples from industrial practice that seem old hat, as well as some inexplicable subject matter omissions.

There is no mention, for example, in this 550-page treatise, of the efforts of industrial psychiatry to reduce individual and group tensions leading to industrial conflict; or of devices, such as role playing, which attempt to apply the precepts of modern industrial psychology to training (one of the management "tactics" discussed here). The section on the use of violence in strikes uses the 1937 Republic Steel strike as its example. (Surely, despite fewer strikes, some more up-to-date illustration could have been found.) There is no mention of many of the more explosive issues which concern management and unions in 1956, such as company mergers or automation.

Essentially, Professor Stagner is optimistic about the chances of attaining a peaceful co-existence between management and labor. He sees the biggest obstacle arising not so much from frustrated strivings for greater economic dividends as from unrequited desires for a greater share in the available power—the ego-satisfying rewards of industry. ("It is easy to produce a larger pie and thus share bigger pieces. It is not easy to produce a larger total quantum of power so that both the manager and union officer can achieve their power goals.") It is to be hoped that his optimism about the constant availability of more pie in the economic ovens will be sustained, and that the patterns of cooperation and accommodation built up by human relations programs during prosperity will not be tested beyond their endurance.

If power is the major goal toward which people psychologically gravitate for their "more," how can we work out an industrial framework in which power as a goal will not produce conflict? Professor Stagner rightly leaves the relevant institutional changes, such as labor laws which can relieve group tensions, to the economists and political scientists. He is concerned with a common pooling-and-sifting ground for perceptions, motivations, and goals—ways of bridging gaps between the divergent forces of society so that common norms rather than group conflict will be the result.

Much can be accomplished by education, he feels: schools must put students in contact with union leaders and their views as well as with company personnel; history books should tell of peaceful negotiations as well as wars; multiple management schemes should include union officers as well as junior executives.

How much will human relations programs help? In his concluding

chapter Professor Stagner expresses some confidence that "if management continues to improve and expand human relations training, unnecessary frustrations can be avoided in day-to-day operations; this decrease in the frustration level should lead to lower tensions on all sides." Yet, in his discussion of specific aspects of personnel and welfare work elsewhere in the text, he expresses considerable skepticism as to the provable results of such management "tactics" as testing, recreation, or merit rating.

Management leaders—who, Professor Stagner says, will be the chief architects of industrial peace if we are to have it in the future—must look beyond this book for answers to many of the interesting questions it has raised.

SUCCESSFUL EXECUTIVE ACTION. By Edward C. Schleh. Prentice-Hall, Inc., Englewood Cliffs, N. J., 1956. 252 pages. $10.00.

*Reviewed by Carl Heyel**

Here is a book that comes alive at the very start, and stays alive. Its pages teem with "real-life" examples from the experiences of companies in widely diversified fields, derived from the author's apparently extensive background in industry and management consulting work. Including examples of pitfalls and errors (and how they were corrected) as well as thumbnail success stories, they add up to a very effective use of the case-study method that has proved so successful in seminars and executive development courses.

The author's recurring emphasis is on *results,* not on techniques, and this practical goal is kept to the fore throughout. (Thus, the chapter on controls cites some amusing cases of records developed as apparent ends in themselves—activities soon carried on for activity's sake.) The central theme of the book is getting results *through people.* It may be summed up in the following sentence (from the closing chapter), which, incidentally, might well hang on the wall of every manager's office: *"Yes, this is your executive function: to direct and stimulate all men in your company to give the greatest value of which they are capable."* There is ample discussion on how to achieve this.

Mr. Schleh has organized his material into four parts: "The Methods that Get Results and How to Use Them"; "Getting Results from People"; "Getting Results from Yourself as a Leader"; and "Building Men—the Key to Results." The chapters under these various headings cover such areas as planning for action, delegation, controls, use of committees, problems of line and staff, supervision, developing men, and the like.

The author's method is to state briefly the fundamentals of each chapter's subject matter, and then to follow with a series of succinct, hard-hitting points on basic principle. As these points are developed, they are driven home by the case examples alluded to—pithy little one- or two-paragraph episodes and incidents that tell more than pages of didactic ma-

* Director of Planning, Mergenthaler Linotype Company.

terial could hope to do. About these little stories the most important thing this reviewer can say is that they ring true—no made-up, hypothetical material here! The result is a series of effective "word pictures" that stay with you. And since the pictures stay with you, the underlying principles stay with you, too. Reading them, anyone with business experience will find himself saying, "Why, yes—that's practically the situation that happened in such-and-such a plant. We should have handled it that way, too!" Or, "Why, that's the kind of problem developing in our own XYZ Department. I'd better discuss that idea with Joe tomorrow!"

The format of the book should make it a useful seminar or discussion-group text. The pages are large, and the check points developed in the text are set in boldface on the resultant wide margins. At the end of each chapter there are separately bound, colored self-quiz pages with space for writing in the answers as they apply to the reader's own situation.

Unfortunately, the lavishness of the book's format—heavy paper, large type, handsome binding—contributes to the $10.00 price tag. This may be a merchandising plot on the part of the publisher to get it into the Executive Suite. However, while this is eminently a book that should be read by every president—it will certainly show a harried chief executive, driven by too much detail and too little delegation, how to improve his P-L statement and live longer!—it would be a pity if it did not also reach the middle-management level.

THE GOLDEN BOOK OF MANAGEMENT: *An Historical Record of the Life and Work of Seventy Pioneers.* Edited by Lyndall F. Urwick. Newman Neame, Ltd., 71 Blandford Street, London, W.1, England. 1956. 317 pages. £1. 15s.

*Reviewed by Ordway Tead**

Colonel Urwick has been responsible for a necessary and authoritative undertaking in editing this compilation, which was sponsored by the International Committee of Scientific Management (C.I.O.S.). It summarizes the record of 70 deceased leaders in one or another phase of scientific management, carefully selected on a world-wide basis. One notes, interestingly, that 32 are United States citizens; 12 are British subjects; and the balance come from widely scattered areas of Europe and South America.

Each biography follows a uniform pattern that facilitates comparative reference—namely, a photograph, a skeleton biography, with a curriculum vitae, a description of the subject's personal characteristics, and a list of selected publications.

The material has been conscientiously assembled with laudable accuracy in those items with which this reviewer is familiar. But it is perhaps well to emphasize that this is primarily a record and a reference work for subsequent scholars. The editor has made no effort at evaluation or other philosophizing reflections.

Within its intended purpose, all students of the personality aspects of

* Member, Board of Higher Education, New York City.

the growth of managerial thought will find this an excellent assemblage. All of us are in debt to C.I.O.S. and to the patient and thoughtful editor for data that are not available elsewhere. But the very brevity and objectivity of this managerial "Who's Who" point unmistakably to the growing need for a really thoughtful and evaluative history of the development of management as science and art.

Briefer Book Notes

(Please order books directly from publishers)

GENERAL

HISTORY OF AMERICAN TECHNOLOGY. By John W. Oliver. The Ronald Press Co., New York, 1956. 676 pages. $6.50. This comprehensive historical survey of the development of American science and technology and their effect on American culture tells a fascinating story that begins with the struggles of the earliest settlers to provide the bare necessities of life and ends with the age of automation and the atom. Its central theme—that American civilization is fundamentally a technological civilization—is exemplified in a step-by-step account of how "Yankee ingenuity" has transformed the crude technologies of colonial days into a dominant characteristic of the American way of life.

AN INTRODUCTION TO ECONOMIC REASONING. By Marshall A. Robinson *et al.* The Brookings Institution, Washington 6, D.C. 1956. 335 pages. $3.00. An excellent introduction for the reader with a sketchy knowledge of economics who is looking for a framework for more systematic thinking about economic issues. Originally prepared for the use of discussion groups, it covers such topics as competition, labor and unions, prosperity and depression, controlling business fluctuations, economic growth, and international economic policy. Suggestions for further reading are appended to each chapter.

PUBLIC RELATIONS: *Principles, Cases, and Problems.* By Bertrand R. Canfield. Richard D. Irwin, Inc., Homewood, Ill. 1956. 691 pages. $7.80. New features of this completely revised edition are three chapters on Public Opinion, Armed Forces Public Relations, and Public Relations Films. A number of case histories from the public relations experience of leading industrial concerns and social service organizations have also been added.

TEACHING SALARIES THEN AND NOW. By Beardsley Ruml and Sidney G. Tickton. **TEACHERS FOR TOMORROW.** Bulletins Nos. 1 and 2, The Fund for the Advancement of Education, 665 Madison Avenue, New York 21, N.Y. 1955. Gratis. The first of these two bulletins is a well documented statistical comparison of teaching salaries with those of other occupations and industries for two periods—1904-1953 and 1929-1953. The second presents, mainly in bar chart and pictograph form, the essential data that will determine the quality of American public and private education in the years ahead.

POSSIBILITIES OF ACTION IN THE FIELD OF NUCLEAR ENERGY. The Organization for European Economic Co-operation: 2002 P Street, N.W., Washington 6, D.C. 1956. 70 pages. $1.00. This report by an OEEC working party on nuclear energy explores the possibility of economic and financial cooperation among the member countries of the OEEC with the aim of securing the greatest benefits from the use of nuclear energy for peaceful purposes. In addition to an outline of the practical possibilities of using nuclear energy and an examination of the technical problems of its production, the report contains a series of technical annexes relating to the measures proposed.

THE TERMS OF TRADE: *A European Case Study*. By Charles P. Kindleberger. The Technology Press of Massachusetts Institute of Technology and John Wiley & Sons, Inc., New York. 1956. 382 pages. $9.00. An examination of existing theories about short- and long-run influences on the terms of trade in the light of a body of European statistical evidence amassed by the author and his associates. The book presents, for the first time, the terms of trade so far as exports and imports of merchandise are concerned by area and commodity group. It also develops a new concept of the terms of trade for goods and services.

MEASUREMENT OF MANAGEMENT CONFERENCE PROCEEDINGS. Society for Advancement of Management, 74 Fifth Avenue, New York 11, N.Y. 1956. 147 pages. $15.00. These proceedings of a conference held in New York in November, 1955, include pages on the job of measurement, analysis of the measurement function, measurement of the effectiveness of distribution, production, research and development, and the finance department, and measurements being developed by the top management function.

STANDARD OIL COMPANY (INDIANA): *Oil Pioneer of the Middle West*. By Paul H. Giddens. Appleton-Century Crofts, Inc., New York, 1956. 741 pages. $7.50. This latest addition to the growing body of literature on corporation history provides a fully documented record of the growth of the Middle West's largest marketer of petroleum products, from its inception in 1889 down to the end of 1951. Every aspect of the company's business —exploring for oil, production, refining, transportation, research, marketing —is covered in detail in this colorful story.

ECONOMIC DEVELOPMENT ABROAD AND THE ROLE OF AMERICAN FOREIGN INVESTMENT: *A Statement on National Policy*. Committee for Economic Development, 444 Madison Avenue, New York 22, N.Y. 1956. 49 pages. Gratis. Prepared by the members of the Research and Policy Committee of the Committee for Economic Development, this policy statement deals in general terms with such questions as the importance of the underdeveloped countries to the United States, economic development and American interests, the obstacles to rapid development, and the role of American capital investment in the economically underdeveloped, noncommunist countries of Asia, the Middle East, Latin America, and Africa.

ANTHROPOLOGY IN ADMINISTRATION. By H. G. Barnett. Row, Peterson and Co., Evanston, Ill. 1956. 196 pages. $5.00. An analysis of the use of experts in applied anthropology in solving the problems of administering underdeveloped areas. Writing in the dual capacity of an anthropologist and an administrator, the author admits the conflict that arises between the two and suggests some ways and means of resolving them.

MARKETING

READINGS IN MARKETING. Edited by George H. Brown. Henry Holt and Co., New York, 1955. 134 pages. $1.00. A collection of *Fortune* articles selected by the editor with the aim of providing a set of detailed and specific examples of the institutions and situations that can be treated only generally in textbooks. The articles are classified under eight categories—the nature and scope of marketing, marketing functions, consumer marketing institutions, industrial marketing institutions, marketing management, pricing, regulation of marketing, and evaluation of marketing.

THE LAW FOR ADVERTISING AND MARKETING. By Morton J. Simon. W. W. Norton & Co., Inc., New York, 1956. 645 pages. $10.00. A comprehensive legal handbook for all who work in or with advertising and marketing. Divided into five main sections—the advertiser and the advertising agency, the property law of advertising, operational legal problems, marketing and merchandising, and government controls—it is designed to serve both as a source of quick answers to specific questions and as a treatise covering the whole range of advertising and marketing legal problems.

THE BUSINESS FUNCTIONS OF MARKETING: *A Check-list for Marketing Management.* By C. J. Courtney. Copies available from the author, College of Commerce, The Creighton University, Omaha 2, Neb. 1955. 65 pages. $2.50. Organized under four main heads — Merchandising, Advertising, Sales Management, and Sales Promotion—this comprehensive checklist covers virtually every marketing problem likely to be encountered by the business man. In addition to analyzing the rationale of the list itself, the author explains how to adapt the list to the specific problems of the individual user.

ADVERTISING COPY AND COMMUNICATION. By S. Watson Dunn. McGraw-Hill Book Co., Inc., New York, 1956. 545 pages. $7.00. Though addressed primarily to the advertising copywriter, this readable manual on the theory and practice of creating copy that communicates and sells includes a realistic appraisal of how copywriting fits into the over-all marketing strategy of an advertiser. Numerous examples of good and bad advertising copy accompany the text.

CONSUMER RESEARCH WITH PROJECTIVE TECHNIQUES. By Dietz Leonhard. Ajax Corp., Shenandoah, Iowa. 1955. 151 pages. $2.00. In this monograph, which received the 1955 Honor Award of the Chicago Chapter, American Marketing Association, the author discusses the application of thematic apperception tests and other projective techniques to consumer research. Four case studies in which these techniques were used are reported in detail.

DISTRIBUTION'S PLACE IN THE AMERICAN ECONOMY SINCE 1869. By Harold Barger. Princeton University Press, Princeton, N. J. 1955, 222 pages. $4.50. This examination of the significant changes that have taken place in distribution over the past three-quarters of a century considers such questions as whether distribution costs have risen or diminished and how the relative importance of wholesale and retail trade have altered with time. Though the author writes from the standpoint of the statistician, the detailed findings of his study should be of interest to all who are concerned with continuing trends in this area.

GUIDEPOSTS AND METHODS TO FUTURE MARKETS AND SALES. National Sales Executives, Inc., 136 East 57 Street, New York 22, N.Y. 1955. 64 pages. $2.00. Included in these proceedings of the 20th Annual NSE International Distribution Congress are papers on electronic data processing, techniques of sales supervisor training, developing accurate yardsticks for measuring salesmen's performance, selecting and developing sales supervisors, improving dealer and distributor relations, the health of the sales executive, and public relations as a sales tool.

SELECTED CASE PROBLEMS IN RETAILING. By David E. Faville. Prentice-Hall, Inc., Englewood Cliffs, N.J. 1956. 244 pages. $3.95. Designed to provide a better understanding of the typical problems involved in the management of both large and small retailing enterprises, this collection of case studies illustrates such topics as store organization, location, and leasing, merchandise policy and selection, buying and pricing, sales promotion, advertising and display, customer services, store personnel management, and accounting functions.

CONSUMER BEHAVIOR AND MOTIVATION. Edited by Robert H. Cole. Bureau of Economic and Business Research, University of Illinois, Urbana, Ill. 1956. 121 pages. $1.00. Included in these proceedings of the University of Illinois' 1955 Marketing Symposium are papers and comments on scientifically predicting and understanding human behavior, measuring the motivational forces influencing consumer behavior, validation of the clinical techniques, and projective techniques from an analytical point of view. A bibliography of sources referred to in the papers is appended.

DESIGNING FOR INDUSTRY: *Some Aspects of the Product Designer's Work.* By F. C. Ashford. Philosophical Library, New York, 1955. 222 pages. $7.50. This readable, well-illustrated account of most aspects of the product designer's calling is addressed both to those who aspire to enter the profession and to those who are already practicing designers. While some subjects are treated at length, the main aim of the book is to provide general guidance rather than detailed instruction. Annotated bibliographies are appended to each chapter.

FINANCE

FISCAL POLICY. By James A. Maxwell. Henry Holt and Co., New York, 1955. 218 pages. $2.90. In the author's words, this study aims at providing "a synthesis, on the elementary level, of the theory and practice of fiscal policy in the United States." Some knowledge of public finance is assumed, and the book is likely to be of interest mainly to those who are concerned with the problem of the use of government expenditure and revenue as balancing factors in securing economic stability.

DIVIDENDS AND DEMOCRACY. By Lewis D. Gilbert. American Research Council, Larchmont, New York, 1956. 233 pages. $3.95. In this lively account of the fight to vest control of the giant American corporations in the hands of their owners—the stockholders—America's most active and vocal stockholder also describes the investment policies that have paid off in continuing capital growth and substantial dividend income for himself and his family.

PERSONAL INCOME DURING BUSINESS CYCLES. By Daniel Creamer. Princeton University Press, Princeton, N. J. 1956. 166 pages. $4.00. In this study, sponsored by the National Bureau of Economic Research, the author shows how the various forms of personal income—wages and salaries, income from real estate, dividends, farm income, etc.—respond to the ups and downs in business activity. He also provides a statistical analysis showing how far farm price supports, unemployment insurance, and federal income tax reductions have offset losses in personal income during recessions.

AUDITING: *Principles and Procedure*. By Arthur W. Holmes. Richard D. Irwin, Inc., Homewood, Ill. 1956. 808 pages. $8.10. This fourth edition of a standard textbook represents a thorough revision of the previous editions. Greater emphasis has been placed on internal control and internal auditing, and the procedures, standards, and principles enunciated in the text have been brought up to date. New questions and problems have been added to each chapter, and the illustrative material has been extensively reorganized.

J. K. LASSER'S STANDARD HANDBOOK FOR ACCOUNTANTS. Edited by J. K. Lasser Tax Institute. McGraw-Hill Book Co., Inc., New York, 1956. 1,431 pages. $15.00. Prepared by 62 specialists, this encyclopedia of auditing, cost control, financial management, systems design, forecasting, accounting office operations, and other phases of business planning has been designed to provide the practicing accountant with a complete and authoritative reference manual of principles, methods, practices, and information in his field.

BUDGETING FOR PROFIT. By William E. Thomas. Bureau of Business Management, University of Illinois, Urbana, Ill. 1955. 56 pages. $1.00. Addressed principally to operators of small- and medium-sized businesses, this booklet explains what a budget is, its uses, and the preparation needed for successful budgeting. Step-by-step guidance on budgeting procedure, short-cut methods of budgeting production costs, and budget reporting is provided.

EQUITY CAPITAL FOR THE SMALL BUSINESS CORPORATION. Investment Bankers Association of America, 425 Thirteenth Street, N.W., Washington 4, D.C. 1955. 18 pages. 25 cents. This memorandum, prepared by the Small Business Committee of the Investment Bankers Association, discusses the advantages and disadvantages of using outside equity capital, the sources of equity capital for the small corporation, and the various approaches that may be used to secure it. Some general recommendations are also made.

THE ECONOMIC ALMANAC, 1956. Published for The Conference Board by Thomas Y. Crowell Co., New York, 1956. 688 pages. $3.75. The 13th edition of this well-known reference book. Contains much new data on consumer credit, personal saving and liquid assets, federal, state, and local finance, population, stock ownership, central bank reserves, and international economic relations. The Canadian section has been greatly expanded and a separate Canadian index has been added.

PSYCHOLOGICAL SURVEYS IN BUSINESS FORECASTING. The Foundation for Research on Human Behavior, Ann Arbor, Mich. 1955. 43 pages. $1.00. This report of a seminar conducted by the Foundation for Research on Human Behavior is a summary of papers and discussions on consumer behavior, business investment plans, and expectations of business men. A number of charts, graphs, and tables are included.

TAX ASPECTS OF REAL ESTATE TRANSACTIONS. By Martin Atlas. BNA Incorporated, Washington 7, D.C. 1955. 200 pages. $12.50. Emphasizing the transcendent importance that taxation has assumed in today's real estate transactions, and the necessity for both buyer and seller of a knowledge of the tax laws and their application, this manual covers virtually every aspect of the subject, from methods of acquiring and taking title to real property to reorganizations, liquidations, and distributions. Numerous applicable examples are cited throughout the text.

THE BUSINESS LAW OF REAL ESTATE. By Gerald O. Dykstra and Lillian G. Dykstra. The Macmillan Co., New York, 1956. 852 pages. $10.00. Designed both for students of real estate law and as a reference book for laymen in occupations where some knowledge of the legal principles governing real property is required, this comprehensive text approaches the subject of real estate, in its manifold aspects, from a practical, business law point of view. Numerous cases are cited in illustration of the legal principles involved.

EARMARKED STATE TAXES. The Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N.Y. 1955. 71 pages. Gratis. This study traces the growth of state tax revenue dedication, outlines its extent in the states today, and comments on its implications so far as state fiscal control is concerned.

Publications Received

(*Please order directly from publishers*)

GENERAL

ENERGY AND SOCIETY: *The Relation Between Energy, Social Change, and Economic Development*. By Fred Cottrell. McGraw-Hill Book Co., Inc., New York, 1955. 330 pages. $6.00.

ADMINISTRATION OF BILATERAL TECHNICAL COOPERATION: *A Statement by the NPA Special Policy Committee on Technical Cooperation*. National Planning Association, 1606 New Hampshire Avenue, N.W., Washington 9, D.C. 1955. $1.00.

SUMMARY REPORT OF CONFERENCE ON CORPORATE CONTRIBUTIONS TO HIGHER EDUCATION. Council for Financial Aid to Education, 6 East 45 Street, New York 17, N.Y. 1955. 31 pages. Gratis.

REMOVING THE ROADBLOCKS TO GREATER PRODUCTIVITY. Super Market Institute, 500 North Dearborn Street, Chicago 10, Ill. 1955. 124 pages. Gratis.

1955 HISTORICAL AND DESCRIPTIVE SUPPLEMENT TO ECONOMIC INDICATORS. Prepared for the Joint Committee on the Economic Report by the Committee Staff and the Office of Statistical Standards, Bureau of the Budget. U.S. Government Printing Office, Washington, D.C. 1955. 70 pages. 40 cents.

GOVERNMENT FINANCES IN 1965. The Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N.Y. 1955. 43 pages. Gratis.

CRITERIA FOR BUSINESS-SPONSORED EDUCATIONAL FILMS. Prepared by the ANA Films Steering Committee. Association of National Advertisers, Inc., 285 Madison Avenue, New York 17, N.Y. 1955. 16 pages. $2.06.

THE MINE WORKERS' DISTRICT 50: *The Story of the Gas, Coke, and Chemical Unions of Massachusetts and Their Growth into a National Union.* By James Nelson. Exposition Press, Inc., 386 Fourth Avenue, New York 16, N.Y. 1955. 158 pages. $3.50.

HOW TO SUCCEED IN BUSINESS WITHOUT REALLY TRYING. By Shepherd Mead. Ballantine Books, Inc., 404 Fifth Avenue, New York 18, N.Y. 1956. Paperbound edition. 129 pages. 35 cents.

THE ROLE OF THE FEDERAL GOVERNMENT IN HOUSING. By Paul F. Wendt. American Enterprise Association, Inc., 1012 14 Street, N.W., Washington 5, D.C. 1956. 48 pages. $1.00.

SMALL BUSINESS IN BRASS FABRICATING. By Theodore F. Marburg. New York University Press, Washington Square, New York 3, N.Y. 1956. 116 pages. $5.00.

INTERNAL SECURITY MANUAL: *Provisions of Federal Statutes, Executive Orders, and Congressional Resolutions Relating to the Internal Security of the United States.* Revised Edition. For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. 1955. 409 pages. $1.00.

APPLIED GENERAL STATISTICS. By Frederick E. Croxton and Dudley J. Cowden. Prentice-Hall, Inc., Englewood Cliffs, N.J. 1955. Second Edition. 843 pages. $9.00.

ELEMENTS OF BUSINESS MATHEMATICS FOR COLLEGES. By Llewellyn R. Snyder. McGraw-Hill Book Co., Inc., New York, 1956. 249 pages. $3.75.

FANTASIES AND FACTS IN CORPORATIONS. Industrial Relations Section, California Institute of Technology, Pasadena, Calif. 1955. 21 pages. $1.00.

SOURCES OF INFORMATION AND UNUSUAL SERVICES: *A Guide to Information, Pamphlets and Services Available from Organizations and Agencies in the United States.* Edited by Raphael Alexander. Informational Directory Co., 200 West 57 Street, New York 19, N.Y. Fourth Edition, 1956-1957. 64 pages. $2.00.

PATENT INFORMATION. By Gustave Miller, Warner Building, 13 and E Streets, N.W., Washington 4, D.C. 1955. Second Edition. 38 pages. Gratis.

UNIVERSITIES AND UNIONS IN WORKERS' EDUCATION. By Jack Barbash. Harper & Brothers, New York, 1955. 206 pages. $3.00.

MODERN TECHNICAL WRITING. By Theodore A. Sherman. Prentice-Hall, Inc., Route 9W, Englewood Cliffs, N. J. 1955. 424 pages. $6.35.

WEATHERBY CRISIS. By Bernard Lester. Twayne Publishers, 31 Union Square West, New York 3, N.Y. 1956. 265 pages. $3.50.

INDEX TO THE YEAR BOOKS AND REGIONAL PAPERS OF THE AMERICAN IRON AND STEEL INSTITUTE: 1910-1953. Compiled by Jeanne McHugh. University of Oklahoma Press, Norman, Okla. 1955. 593 pages. $12.50.

ECONOMIC POLICY FOR AMERICAN AGRICULTURE. Committee for Economic Development, 444 Madison Avenue, New York, N.Y. 1956. 42 pages. Single copies, gratis.

MANAGEMENT: *Motor der Produktivitat.* By Heinrich Mechler. Deutscher Fachzeitschriften-und Fachbuch-Verlag GMBH, Stuttgart, Germany. 1956. 328 pages.

FOUNDATIONS OF PRODUCTIVITY ANALYSIS: *Guides to Economic Theory and Managerial Control.* By Bela Gold. University of Pittsburgh Press, Pittsburgh, Penna. 1955. 303 pages. $5.00.

HYDRAULIC OPERATION AND CONTROL OF MACHINES. By Ian McNeil. The Ronald Press Company, New York, 1955. 324 pages. $7.50.

THE NEED FOR FURTHER BUDGET REFORM AND THE FEDERAL BUDGET AND THE NATIONAL ECONOMY: *A Joint NPA Statement and a Staff Report.* By Gerhard Colm with the assistance of Marilyn Young. National Planning Association, 1606 New Hampshire Avenue, N.W., Washington 9, D.C. 1955. 101 pages. $1.50.

MARKETING

A STUDY OF CONSTRUCTION EQUIPMENT DISTRIBUTOR-MANUFACTURER SELLING METHODS AND PRACTICES. Conover-Mast, New York, 1955. 76 pages. Copies available at cost to construction marketers when requested on their firm's stationery, addressed to CONSTRUCTION EQUIPMENT, Att: Market Information, 205 East 42 Street, New York 17, N.Y.

THE BASIS AND DEVELOPMENT OF FAIR TRADE. National Wholesale Druggists' Association, 330 West 42 Street, New York 36, N.Y. 1955. Third Edition. 170 pages. Gratis.

TRADE DIRECTORIES OF THE WORLD: 1954-1955. Croner Publications, 211-13 Jamaica Avenue, Queens Village, N.Y. 1955. 117 pages. $5.00.

ADVERTISING COPYRIGHTS. By Robert J. Burton. Advertising Requirements, 200 East Illinois Street, Chicago 11, Ill. 1955. 62 pages. $1.00.

BASIC INFORMATION SOURCES ON NEW PRODUCT DEVELOPMENT AND SALE. Business Service Bulletin No. 42 (Revised). Small Business Administration, Washington 25, D.C. 1955. 12 pages. Gratis.

FINANCE

CORPORATE REORGANIZATIONS: *Their Federal Tax Status.* By Robert S. Holzman. The Ronald Press Co., 15 East 26 Street, New York 10, N.Y. 1955. Second Edition. $15.00.

CASES IN COST ACCOUNTING. By Clarence L. Van Sickle. Prentice-Hall, Inc., Route 9W, Englewood Cliffs, N. J. 1955. 422 pages. $4.75.

PROCEEDINGS OF THE COUNCIL OF THE SECTION OF ANTITRUST LAW. American Bar Association, 1155 East 60 Street, Chicago 37, Ill. 1955. 115 pages. $2.50.

TAX POLICY IN 1956: *A Statement by the Program Committee of the Committee for Economic Development.* CED, 444 Madison Avenue, New York 22, N.Y. 1955. 18 pages. Gratis.

PROFIT SHARING FOR SMALL BUSINESS. By J. J. Jehring. The Profit Sharing Research Foundation, Evanston, Ill. 1955. 53 pages. $1.00.

THE GOLD STANDARD. Money and Credit Committee, National Association of Manufacturers, 2 East 48 Street, New York 17, N.Y. 1955. 23 pages. $1.00.

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